Interim Financial Statements
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Interim Financial Statements

C&A Modas S.A.

June 30, 2020 and 2019
and Independent Auditor´s Report

C&A Modas S.A.

Interim Financial Statements

June 30, 2020 and 2019

Contents

São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo – SP - Brasil

Tel: +55 11 2573-3000
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Report on interim financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, IFRS and the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR).

Independent auditor's report on review of interim financial statements

To the Management and Shareholders of
C&A Modas S.A.
Barueri - SP

Introduction

We have reviewed the individual and consolidated interim financial information of C&A Modas S.A. ("Company"), contained in the Quarterly Information Form (Formulário de Informações Trimestrais – ITR) for the quarter ended June 30, 2020, which comprises the statement of financial position at June 30, 2020 and the statements of operations, of comprehensive income (loss) for the three and six-month periods than ended, and the statements of changes in equity and cash flows for the six-month period then ended and explanatory notes.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with accounting standards NBC TG 21 and IAS 34 – Interim Financial Reporting, issued by the Federal Accounting Counsel ("CFC") and the International Accounting Standards Board (IASB), respectively, as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this individual and consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily to the persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above have not been prepared, in all material respects, in accordance with the requirements of NBC TG

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21 and IAS 34, applicable to the preparation of Quarterly Information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of value added

The quarterly information referred to above include the individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2020, prepared under the responsibility of the Company's Management and presented as supplementary information for the purpose of IAS 34. These statements have been subject to review procedures performed in conjunction with the review of quarterly information in order to conclude whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been prepared, in all material respects, in accordance with the criteria defined in such standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, August 19, 2020

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Waldyr Passetto Junior
Accountant CRC-1SP173518/O-8

A free translation from Portuguese into English of Interim Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, IFRS and the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR).

C&A Modas S.A.

Statements of financial position
As of June 30, 2020 and December 31, 2019
(In thousands of Reais)

		Parent Company		Consolidated	
	Note	**06/30/2020**	**12/31/2019**	**06/30/2020**	**12/31/2019**
Assets					
Current assets					
Cash and cash equivalents	6	**1,257,852**	445,635	**1,259,009**	447,109
Trade receivables	7	**374,405**	1,151,438	**374,462**	1,151,484
Derivatives	28	**7,349**	651	**7,349**	651
Related parties	8	**53**	1,111	**38**	356
Inventories	10	**810,283**	544,717	**810,283**	544,717
Taxes recoverable	11	**323,355**	795,635	**323,363**	795,643
Income taxes recoverable		**13,989**	37,484	**14,644**	38,006
Other assets	12	**34,056**	21,609	**34,056**	21,609
Total current assets		**2,821,342**	2,998,280	**2,823,204**	2,999,575
Noncurrent assets					
Long term assets					
Taxes recoverable	11	**1,029,655**	521,136	**1,029,655**	521,136
Deferred taxes	13	**108,066**	-	**108,066**	-
Judicial deposits	21.2	**102,716**	101,836	**102,716**	101,836
Other assets	12	**3,824**	1,978	**3,824**	1,978
Total long-term assets		**1,244,261**	624,950	**1,244,261**	624,950
Investment in subsidiaries	14	**1,016**	836	**-**	-
Property and equipment	15	**640,603**	717,412	**640,603**	717,412
Right-of-use assets	17	**1,573,189**	1,507,815	**1,573,189**	1,507,815
Intangible assets	16	**217,238**	187,340	**217,238**	187,340
Total noncurrent assets		**3,676,307**	3,038,353	**3,675,291**	3,037,517
Total assets		**6,497,649**	6,036,633	**6,498,495**	6,037,092

C&A Modas S.A.

Statements of financial position
As of June 30, 2020 and December 31, 2019
(In thousands of Reais)

		Parent Company		Consolidated	
	Note	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Liabilities and equity					
Current liabilities					
Lease liabilities	17	**392,618**	357,891	**392,618**	357,891
Trade payables	18	**415,713**	803,989	**415,945**	804,013
Loans	19	**375,890**	-	**375,890**	-
Derivatives	28	**-**	3,938	**-**	3,938
Labor liabilities		**137,789**	128,548	**137,789**	128,548
Related parties	8	**37,210**	69,519	**37,210**	69,519
Interest on shareholders' equity and dividends payable	24	**68,846**	144,834	**68,846**	144,834
Taxes payable	20	**17,493**	183,595	**17,506**	183,610
Income taxes payable		**-**	35,254	**599**	35,672
Other liabilities		**42,202**	23,052	**42,202**	23,052
Total current liabilities		**1,487,761**	1,750,620	**1,488,605**	1,751,077
Noncurrent liabilities					
Lease liabilities	17	**1,312,636**	1,229,789	**1,312,636**	1,229,789
Loans	19	**829,274**	-	**829,274**	-
Labor liabilities		**2,841**	3,551	**2,841**	3,551
Provisions for tax, civil and labor proceedings	21	**230,582**	233,842	**230,582**	233,842
Taxes payable	20	**23,168**	1,073	**23,168**	1,073
Deferred taxes	13	**-**	45,631	**-**	45,631
Other liabilities		**33,358**	32,559	**33,358**	32,559
Total noncurrent liabilities		**2,431,859**	1,546,445	**2,431,859**	1,546,445
Total Liabilities		**3,919,620**	3,297,065	**3,920,464**	3,297,522
Equity					
Capital stock	23	**1,847,177**	1,847,177	**1,847,177**	1,847,177
Capital reserve		**14,547**	11,647	**14,547**	11,647
Retained earnings (loss)		**(247,446)**	-	**(247,446)**	-
Profit reserve		**958,902**	882,914	**958,902**	882,914
Other comprehensive income (loss)		**4,849**	(2,170)	**4,849**	(2,170)
Equity attributable to equity holders of the parent		**2,578,029**	2,739,568	**2,578,029**	2,739,568
Non-controlling interests		**-**	-	**2**	2
Total equity		**2,578,029**	2,739,568	**2,578,031**	2,739,570
Total liabilities and equity		**6,497,649**	6,036,633	**6,498,495**	6,037,092

See accompanying notes.

C&A Modas S.A.

Statement of operations
Quarters and six-month periods ended June 30, 2020 and 2019
(In thousands of Reais)

		Parent Company			
		Current quarter	Year-to-Date	Same quarter previous year	Previous year
	Note	04/01/2020 - 06/30/2020	01/01/2020 - 06/30/2020	04/01/2019 - 06/30/2019	01/01/2019 - 06/30/2019
Net revenue	25	**293,805**	**1,270,071**	1,259,817	2,299,911
Cost of sales and services rendered	26	**(151,237)**	**(651,756)**	(640,187)	(1,179,267)
Gross profit		**142,568**	**618,315**	619,630	1,120,644
Operating (expenses) income:					
General and administrative expenses	26	**(110,204)**	**(218,543)**	(112,465)	(238,323)
Selling expenses	26	**(276,999)**	**(690,155)**	(439,218)	(843,599)
Share of profit of subsidiary	14	**99**	**180**	125	171
Other operating income (expenses), net	26	**(9)**	**(4,380)**	3,935	643,850
Operating profit		**(244,545)**	**(294,583)**	72,007	682,743
Gain (loss) on derivatives		**-**	**-**	-	(26,054)
Foreign exchange variation		**(274)**	**(12,710)**	53	30,895
Finance expenses		**(55,732)**	**(100,712)**	(51,911)	(95,491)
Finance income		**14,848**	**33,272**	19,263	586,250
Finance results	27	**(41,158)**	**(80,150)**	(32,595)	495,600
Income before income taxes		**(285,703)**	**(374,733)**	39,412	1,178,343
Income taxes	13	**93,622**	**127,287**	(13,643)	(401,138)
Net income (loss) for the period		**(192,081)**	**(247,446)**	25,769	777,205

		Consolidated			
		Current quarter	**Year-to-Date**	**Same quarter previous year**	**Previous year**
	Note	**04/01/2020 - 06/30/2020**	**01/01/2020 - 06/30/2020**	**04/01/2019 - 06/30/2019**	**01/01/2019 - 06/30/2019**
Net revenue	25	**294,492**	**1,271,342**	1,260,330	2,300,843
Cost of sales and services rendered	26	**(151,237)**	**(651,756)**	(640,187)	(1,179,267)
Gross profit		**143,255**	**619,586**	620,143	1,121,576
Operating (expenses) income:					
General and administrative expenses	26	**(110,732)**	**(219,455)**	(112,731)	(238,787)
Selling expenses	26	**(276,999)**	**(690,155)**	(439,218)	(843,599)
Other operating income (expenses), net	26	**(9)**	**(4,380)**	3,935	643,785
Operating profit (loss)		**(244,485)**	**(294,404)**	72,129	682,975
Gain (loss) on derivatives		**-**	**-**	-	(26,054)
Foreign exchange variation		**(274)**	**(12,710)**	53	30,895
Finance expenses		**(55,733)**	**(100,714)**	(51,912)	(95,491)
Finance income		**14,850**	**33,276**	19,266	586,254
Finance results	26	**(41,157)**	**(80,148)**	(32,593)	495,604
Income (Loss) before income taxes		**(285,642)**	**(374,552)**	39,536	1,178,579
Income taxes	13	**93,562**	**127,106**	(13,767)	(401,375)
Net income (loss) for the period		**(192,080)**	**(247,446)**	25,769	777,204
Attributable to:					
Non-controlling interests		**1**	**-**	-	(1)
Equity holders of the parent		**(192,081)**	**(247,446)**	25,769	777,205
		(192,080)	**(247,446)**	25,769	777,204
Basic profit (loss) per share -R$	31	**(0,6231)**	**(0,8028)**	0,0995	3,0016
Diluted profit (loss) per share -R$	31	**(0,6232)**	**(0,8022)**	0,0995	3,0016

See accompanying notes.

C&A Modas S.A.

Statement of comprehensive income (loss)
Quarters and six-month periods ended June 30, 2020 and 2019
(In thousands of Reais)

	Parent Company			
	Current Quarter	Year-to-Date	Same quarter previous year	Previous year
	04/01/2020 - 06/30/2020	01/01/2020 - 06/30/2020	04/01/2019 - 06/30/2019	01/01/2019 - 06/30/2019
Net income (loss) for the period	**(192,081)**	**(247,446)**	25,769	777,205
Other comprehensive results:				
Derivative results	**(27,178)**	**10,635**	(5,208)	(8,186)
Tax effects	**9,241**	**(3,616)**	1,771	2,783
Total comprehensive results to be reclassified to results for the period in subsequent periods, net of taxes (Note 27.a.iii)	**(17,937)**	**7,019**	(3,437)	(5,403)
Total comprehensive results	**(210,018)**	**(240,427)**	22,332	771,802

	Consolidated			
	Current Quarter	Year-to-Date	Same quarter previous year	Previous year
	04/01/2020 - 06/30/2020	01/01/2020 - 06/30/2020	04/01/2019 - 06/30/2019	01/01/2019 - 06/30/2019
Net income (loss) for the period	**(192,080)**	**(247,446)**	25,769	777,204
Other comprehensive results:				
Derivative results	**(27,178)**	**10,635**	(5,208)	(8,186)
Tax effects	**9,241**	**(3,616)**	1,771	2,783
Total comprehensive results to be reclassified to results for the period in subsequent periods, net of taxes (Note 27.a.iii)	**(17,937)**	**7,019**	(3,437)	(5,403)
Total comprehensive results attributable to:	**(210,017)**	**(240,427)**	22,332	771,801
Non-controlling interests	**1**	**-**	-	(1)
Equity holders of the parent	**(210,018)**	**(240,427)**	22,332	771,802
	(210,017)	**(240,427)**	22,332	771,801

See accompanying notes.

C&A Modas S.A.

Statements of changes in equity
For the six-month periods ended June 30, 2020 and 2019
(In thousands of Reais)

	Note	Capital stock	Capital reserve		Profit reserve				Other comprehensive income	Retained earnings (Accumulated losses)	Total controlling	Non-controlling interests	Total shareholder's equity
			Capital reserve	Shares granted	Legal reserve	Special reserve for dividends	Reserve for unrealized gains	Reserve for investments	Adjustments in equity valuation				
At December 31, 2018		1,035,720	10,516	-	-	-	-	-	3,759	65,042	1,115,037	2	1,115,039
Net income for the period		-	-	-	-	-	-	-	-	777,205	777,205	(1)	777,204
Interest on shareholder´s equity	8	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss):													
Loss on derivatives	28.a.iii	-	-	-	-	-	-	-	(8,186)	-	(8,186)	-	(8,186)
Tax effects	28.a.iii	-	-	-	-	-	-	-	2,783	-	2,783	-	2,783
At June 30, 2019		1,035,720	10,516	-	-	-	-	-	(1,644)	842,247	1,886,839	1	1,886,840
At December 31, 2019		**1,847,177**	**10,516**	**1,131**	**48,600**	**-**	**86,014**	**748,300**	**(2,170)**	**-**	**2,739,568**	**2**	**2,739,570**
Equity instruments granted - share-based compensation		**-**	**-**	**2,900**	**-**	**-**	**-**	**-**	**-**	**-**	**2,900**	**-**	**2,900**
Destination of 2019 profits:													
Special dividends reserve		**-**	**-**	**-**	**-**	**86,014**	**(86,014)**	**-**	**-**	**-**	**-**	**-**	**-**
Withheld dividends (i)		**-**	**-**	**-**	**-**	**75,988**	**-**	**-**	**-**	**-**	**75,988**	**-**	**75,988**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(247,446)**	**(247,446)**	**-**	**(247,446)**
Other comprehensive income (loss):													
Gain on derivatives	28.a.iii	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,635**	**-**	**10,635**	**-**	**10,635**
Tax effects	28.a.iii	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,616)**	**-**	**(3,616)**	**-**	**(3,616)**
At June 30, 2020		**1,847,177**	**10,516**	**4,031**	**48,600**	**162,002**	**-**	**748,300**	**4,849**	**(247,446)**	**2,578,029**	**2**	**2,578,031**

(i) Following approval by the Shareholder's at the Ordinary Meeting held on June 26, 2020, R$ 75,988 of the minimum required dividends were partially withheld as a Special dividends reserve (Note 24)

See accompanying notes.

C&A Modas S.A.

Statements of cash flow
For the six-month periods ended June 30, 2020 and 2019
(In thousands of Reais)

	Parent Company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Operating activities				
Income (loss) before income tax	**(374,733)**	1,178,343	**(374,552)**	1,178,579
Adjustments to reconcile income before income taxes to net cash flow:				
Depreciation and amortization	**121,102**	113,620	**121,102**	113,620
Depreciation of right-of-use	**150,261**	146,976	**150,261**	146,976
Losses on sale or disposal of property and equipment and intangible assets	**4,462**	13,898	**4,462**	13,898
Impairment on property and equipment and intangibles and right of use	**3,893**	(15,437)	**3,893**	(15,437)
Provisions for expected credit losses	**(2,136)**	(1,589)	**(2,136)**	(1,589)
Adjustment to present value of trade receivables and suppliers	**(3,221)**	-	**(3,221)**	-
Expenses with stock-based compensation	**2,900**	-	**2,900**	-
Provisions (reversals) for tax, civil and labor risks	**5,255**	7,755	**5,255**	7,755
Judicial deposits	**(877)**	(1,511)	**(877)**	(1,511)
Provisions for inventory losses	**11,317**	19,726	**11,317**	19,726
Share of profit of subsidiaries	**(180)**	(171)	**-**	-
Interest on leases	**70,825**	37,251	**70,825**	37,251
Interest on related party loans	**-**	30,748	**-**	30,748
Interest on loans	**9,720**	-	**9,720**	
Amortization transaction costs of loans	**438**	-	**438**	-
Foreign exchange differences on related party loans	**-**	(32,371)	**-**	(32,371)
Derivatives	**-**	41,344	**-**	41,344
Gains on lawsuits - previously unused PIS/COFINS credits (Note 11)	**(11,452)**	(1,253,332)	**(11,452)**	(1,253,332)
Working capital adjustments:				
Trade receivables	**785,421**	208,593	**785,410**	208,609
Related parties	**(31,251)**	(10,351)	**(31,991)**	(10,900)
Inventories	**(276,883)**	(134,792)	**(276,883)**	(134,792)
Taxes recoverable	**(1,292)**	9,683	**(1,425)**	9,594
Other assets	**(14,293)**	(12,486)	**(14,293)**	(12,486)
Judicial deposits	**(435)**	(4,438)	**(435)**	(4,438)
Trade payables	**(392,898)**	(46,984)	**(392,690)**	(46,548)
Labor liabilities	**8,531**	(16,612)	**8,531**	(16,612)
Other liabilities	**19,679**	(13,598)	**19,679**	(13,598)
Provisions for tax, civil and labor proceedings	**(8,083)**	(2,391)	**(8,083)**	(2,391)
Taxes payable	**(188,373)**	(109,383)	**(187,937)**	(109,475)
Income taxes paid	**(20,914)**	(13,052)	**(21,352)**	(13,293)
Net cash flows from operating activities	**(133,217)**	139,439	**(133,534)**	139,327
Investment activities				
Purchase of property and equipment	**(76,620)**	(163,276)	**(76,620)**	(163,276)
Receivables from the sale of property and equipment	**86**	-	**86**	-
Cash flow used in investment activities	**(76,534)**	(163,276)	**(76,534)**	(163,276)
Financing activities				
Proceeds from loans	**1,200,000**	508,000	**1,200,000**	508,000
Repayments of loans	**-**	(590,588)	**-**	(590,588)
Loan transaction costs	**(4,994)**	-	**(4,994)**	-
Interest paid on loans	**-**	(36,338)	**-**	(36,338)
Settlement of derivatives	**-**	7,625	**-**	7,625
Repayments and interest paid on leases	**(173,038)**	(156,864)	**(173,038)**	(156,864)
Interest on shareholder´s equity paid	**-**	(58,582)	**-**	(58,582)
Net cash flows obtained from (used in) financing activities	**1,021,968**	(326,747)	**1,021,968**	(326,747)
Increase (Decrease) in cash and cash equivalents	**812,217**	(350,584)	**811,900**	(350,696)
Cash and cash equivalents at the beginning of the period	**445,635**	444,923	**447,109**	446,006
Cash and cash equivalents at the end of the period	**1,257,852**	94,339	**1,259,009**	95,310

See accompanying notes.

C&A Modas S.A.

Statements on value added
For the six-month periods ended June 30, 2020 and 2019
(In thousands of Reais)

	Parent Company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Revenue	**1,639,494**	3,632,274	**1,640,832**	3,633,254
Sale of Goods and Services	**1,616,891**	2,969,259	**1,618,229**	2,970,238
Other revenue	**20,467**	664,604	**20,467**	664,605
Allowance for expected credit losses	**2,136**	(1,589)	**2,136**	(1,589)
Inputs acquired from third parties	**(937,711)**	(1,791,182)	**(938,625)**	(1,791,712)
Cost of sales and services	**(633,583)**	(1,441,996)	**(633,583)**	(1,441,998)
Materials, electric power, outsourced services and others	**(287,510)**	(338,681)	**(288,424)**	(339,209)
Impairment of assets	**(16,618)**	(10,505)	**(16,618)**	(10,505)
Gross Value Added	**701,783**	1,841,092	**702,207**	1,841,542
Retentions	**(257,673)**	(260,596)	**(257,673)**	(260,596)
Depreciation and Amortization	**(121,102)**	(113,620)	**(121,102)**	(113,620)
Depreciation of right-of-use	**(136,571)**	(146,976)	**(136,571)**	(146,976)
Net value added	**444,110**	1,580,496	**444,534**	1,580,946
Value added received through transfer	**62,123**	628,340	**61,947**	628,176
Share of profit of subsidiary	**180**	171	**-**	-
Financial income	**61,943**	628,169	**61,947**	628,176
Total value added for distribution	**506,233**	2,208,836	**506,481**	2,209,122
Distribution of value added	**506,233**	2,208,836	**506,481**	2,209,122
Personnel	**310,648**	354,923	**310,648**	354,923
Direct compensation	**225,791**	261,023	**225,791**	261,024
Benefits	**47,447**	60,697	**47,447**	60,697
Severance pay fund (FGTS)	**18,930**	24,816	**18,930**	24,816
Others	**18,480**	8,387	**18,480**	8,386
Taxes and Contributions	**273,996**	855,225	**274,243**	855,510
Federal	**21,438**	541,912	**21,685**	542,197
State	**228,805**	289,967	**228,805**	289,967
Municipal	**23,753**	23,346	**23,753**	23,346
Debt remuneration	**169,035**	221,483	**169,036**	221,485
Rentals	**24,278**	88,940	**24,278**	88,940
Financial expenses	**144,757**	132,543	**144,758**	132,545
Compensation on equity	**(247,446)**	777,205	**(247,446)**	777,204
Interest on shareholders equity and dividends proposed	**-**	-	**-**	-
Retained earnings (Accumulated losses) in the period	**(247,446)**	777,205	**(247,446)**	777,204

See accompanying notes.

1. Operating Context

C&A Modas S.A. (hereafter the "Company" or "Controlling Entity") has its main offices located at Alarmed Araguaia, 1.222 - Barueri - São Paulo - Brazil. The Company became a stock corporation (sociedade anônima) on October 28, 2019 and currently 34.50% of its shares are traded on Brazilian stock exchange B3 (São Paulo – Brazil) under the ticker “CEAB3”. The ultimate parent company is COFRA Holding AG headquartered in Switzerland.

The Company's primary purpose of business is retail trade - both offline (B&M, brick and mortar) and online - in apparel, comprised of men's clothing, women's clothing, children and teen clothing, footwear, bags and accessories, in addition to mobile phones, watches, costume jewelry and cosmetics, among others. It also provides financial intermediation services in the form of credit to finance purchases, issuing credit cards and personal loans, and the intermediation in brokering and promoting the distribution of insurance, saving bonds *(“títulos de capitalização”)* and related products offered by insurers and other third parties third parties offering of such products.

Retail apparel sales are strongly influenced by commemorative dates, in particular Mother's Day and Christmas. In months when there are commemorative dates, the Company's sales are higher than the average for other months in the year. This also impacts other Company metrics, in particular inventory levels, trade receivables, trade payables and value added taxes.

The Company sells its goods in 288 stores (287 in December 2019). These are supplied by 5 distribution centers located in the states of São Paulo, Rio de Janeiro and Santa Catarina. The Company also sells its goods through numerous types of *e-commerce*:

. Deliveries made directly from the distribution center in São Paulo to the customer’s location;
. Click-and-collect, where customers choose a store to pick up their goods;
. Ship-from-store, where goods are shipped from one of the stores to the location chosen by the customer.

The non-financial data included in these financial statements, such as number of stores and distribution centers, among others, were not audited, or reviewed by our Independent auditors.

2. Basis of Preparation

The company's individual and consolidated interim financial statements (hereafter the "financial statements") for the quarter ended June 30, 2020 were prepared according to the accounting practices adopted in Brazil, in accordance with Brazilian Accounting Standard NBC TG 21 (R4) - Interim Statement issued by the Federal Accounting Council ("CFC") which is correlated to the international financial reporting standard (IFRS) IAS 34 - Interim Financial Reporting Standards issued by International Accounting Standards Board - IASB, and guidelines from the Brazilian Securities and Exchange Commission ("CVM")

The individual and consolidated interim financial statements were prepared based on a historical cost basis, except for certain financial instruments measured at fair value, and based on the premise of a going concern of the consolidated entities. All of the data relevant to the interim individual and consolidated financial statements, and only this data is disclosed, and corresponds to the data used by Management in managing Company activities, as per Technical Instruction OCP07.

Management has assessed the Company's ability, and that of its subsidiary, to continue normal operations, and is convinced they have the resources to remain as a going concern. Furthermore, Management is unaware of any material uncertainty that might create significant questions on its ability to remain a going concern. Thus, these interim financial statements were prepared based on an assumption of a going concern.

The issuing of the individual and consolidated interim financial statements for the quarter ended June 30, 2020 was authorized by the Board of Directors on August 19, 2020.

The interim financial statements are submitted in thousands of Reais (R$), which is the functional and statement currency of the Company and its subsidiary. Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in effect on the date of the transaction. Foreign-currency denominated monetary assets and liabilities are converted using the functional currency exchange rate in effect on the date of the statement of financial positions. All differences are recorded in the statement of operations.

The presentation of the Statement of Added Value (DVA), individual and consolidated, is required by the Brazilian Accounting Standard NBC TG 09 - Statement of Added Value - applicable to publicly-held companies. IFRS does not require the presentation of this statement. As a consequence, by IFRS, this statement is presented as supplementary information, without prejudice to the set of interim financial information.

(In thousand Reais, unless otherwise stated)

Restatement of comparative balances

In the financial statements for the year ended December 31, 2019, Management made changes in the classification of certain accounts in the statements of operations, which are being followed in the interim financial information of June 30, 2020. Management made the same reclassifications in the accounting information for period June 2019 for the purpose of adequate comparison. These changes did not impact net income or profit before income tax and social contribution, balance sheet accounts, comprehensive income statements, statements of changes in equity and the Company's cash flow statements for the second quarter 2019.

Below are the numbers that changed in the statement of operations.

	Parent Company			Consolidated		
Statement of Operations	**As previously reported on 06/30/2019**	**Reclassification**	**Balance as reclassified on 06/30/2019**	**As previously reported on 06/30/2019**	**Reclassification**	**Balance as reclassified on 06/30/2019**
Net revenue	2,309,759	**(9,848)**	2,299,911	2,310,691	**(9,848)**	2,300,843
Cost of goods sold and services rendered	(1,189,487)	**10,220**	(1,179,267)	(1,189,487)	**10,220**	(1,179,267)
Gross profit	**1,120,272**	**372**	**1,120,644**	**1,121,204**	**372**	**1,121,576**
General and administrative expenses	(264,039)	**25,716**	(238,323)	(264,503)	**25,716**	(238,787)
Sales expenses	(813,166)	**(30,433)**	(843,599)	(813,166)	**(30,433)**	(843,599)
Other operating income (expenses), net	639,646	**4,375**	644,021	639,409	**4,376**	643,785
Operating profit	**682,713**	**30**	**682,743**	**682,944**	**31**	**682,975**
Financial results	**495,630**	**(30)**	**495,600**	**495,635**	**(31)**	**495,604**
Profit before income taxes	**1,178,343**	**-**	**1,178,343**	**1,178,579**	**-**	**1,178,579**
Net income for the period	**777,205**	**-**	**777,205**	**777,204**	**-**	**777,204**

Impact of COVID-19

In March 2020 the World Health Organization (WHO) declared COVID-19 to be a global pandemic. Following this declaration, government authorities in numerous jurisdictions imposed lockdowns and other restrictions to contain the virus, and numerous companies suspended or reduced their operations.

The Company looked for alternative sales mechanisms, new types of delivery and new trade partners to offset, even if partially, the reduction in sales in its B&M stores. As expected, because all B&M stores closed in March 2020, the largest impact on the Company's operating performance came in the 2nd quarter of this year. However, it is important to point out that sales are recovering month after month as stores reopen, and further driven by an increase in e-commerce sales.

The Company is adapting to the new scenario and constantly monitors how things evolved regarding COVID-19 and its possible impact on business. The premises are cautiously reviewed; at this time, we are noting a recovery in sales. Although it is difficult to predict any scenario, it is hoped that the pandemic will not last for the long term. Below are the main themes evaluated when preparing the Company's Financial Statements for the quarters and semester ended in June 30, 2020:

Reduction in impairment - The Company reviewed the cash flow projections of its cash generating units (CGU), considering the sales made in the first semester of 2020, the expected sales for the next six months of 2020 and for the next fiscal years according to the lease contract term of each store. Due to the long-term projections, the drop in sales expected for this year and for 2021 had no significant effect on the calculation of impairment. The Company had already set up a provision in the amount of R$6,613 on March 31, 2020, and concluded that it was necessary to adjust the value in use of the assets (Note 15.c).

Liquidity - As from March 2020, the Company adopted precautionary measures and adjusted its cost structure to increase its cash position and preserve its financial flexibility. Between April and June 2020, it captured R$ 1.2 billion (Note 19 - Loans and Financing) in promissory notes and CCBs (Bank Credit Notes). The Company has also signed agreements with financial institutions to ensure supplier funding (Note 18), subscribed to MP 936/20 and MP 927/20, which allowed it to suspend employment contracts and postpone the payment of social charges. It also started to offset PIS COFINS credits (Note 11), among other initiatives.

Hedge Accounting - The Company has analyzed the derivative transactions for which it uses hedge accounting and concluded that such transactions remain effective on June 30, 2020. (Note 28)

Inventory Realization - The Company has assessed the recoverable value of its inventory on June 30, 2020, considering a likely markdown of goods for rapid sales. The Company concluded it has sufficient allowances for inventory losses.

Lease Renegotiations - The Company adopted the practical expedient stipulated in the Review of Technical Pronouncement CPC06 (R2), which is equivalent to the amendment on IFRS 16 and CVM Statement 859 regarding "Benefits related to Covid-19 granted to the lessees of lease agreements"**,** and decided to account reductions in lease payments directly in earnings (Note 17).

Realization of deferred tax assets and taxes to be recovered - The Company reviewed its ability to realize deferred taxes and tax credits to recover and concluded it is able to do so (Notes 11 and 13)

Distribution of dividends - To ensure the Company's operating health, Management proposed to withhold part of the minimum mandatory dividends for 2019. This was approved by the shareholders at the General Meeting held on 06/26/2020. (Note 24)

3. Basis for Consolidation

Consolidated interim financial statements include the Company's operations and those of its subsidiary Orion Companhia Securitizadora de Créditos Financeiros S.A. ("Orion" or "subsidiary").

The subsidiary's reporting period coincides with that of the Parent Company, and accounting practices were uniformly applied to the subsidiary.

Upon consolidation, all balances of assets and liabilities, income and expenses arising from transactions with the subsidiary were eliminated. The profit or loss for the period is allocated to the shareholders of the Parent Company and non-controlling interests.

Orion is a closely held corporation, whose stated purpose of business is the purchase of receivables generated by the financial system, as well as management of its own and/or third-party receivables portfolios.

4. Accounting policies

The main accounting policies used to prepare these Individual and Consolidated Interim Financial Statements are consistent with those used and disclosed in Explanatory Note 4, corresponding to the financial statements for the year ended December 31, 2019 published on March 19, 2020, and, therefore, should be read in combination

4.1 Statements issued and valid as of 01-Jan-2020

Management revised the new rules, guidelines and interpretations in effect as of January 1, 2020 and did not identify any impacts derived from their adoption.

5. Significant accounting judgments, estimates and assumptions

The accounting estimates involved in preparing the interim financial statements are based on objective and subjective factors, which in turn are based on the judgment of Management to determine the appropriate amount to be recognized in the financial statements. The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the interim financial statements due to the probabilistic approach inherent to the estimating process. Significant items subject to these estimates and premises include:

a) Determination of the useful life of property and equipment and intangibles assets;
b) Impairment analysis of property and equipment and intangibles assets;
c) Allowance for expected credit losses;
d) Provisions for inventory losses;

(In thousand Reais, unless otherwise stated)

e) Deferred income tax and social contribution;
f) Taxes and timeliness applied when determining adjustment to present value of assets and liabilities;
g) Provisions for tax, civil and labor proceedings;
h) Determination of fair value of derivative financial instruments;
i) Provisions for restoring stores to their original condition;
j) Profit sharing;
k) Stock-based compensation.

The Company reviews its estimates and significant assumptions from time to time.

6. Cash and cash equivalents

	Parent Company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Cash	**3,648**	3,226	**3,648**	3,226
Banks	**15,431**	62,659	**16,588**	64,133
Short-term Investments	**1,238,773**	379,750	**1,238,773**	379,750
	1,257,852	445,635	**1,259,009**	447,109

The Company has cash equivalents in the form of fixed-yield financial investments, indexed to 75% to 103.5% of the variation in CDIs (Interbank Deposit Certificates), which may be redeemed at any time with the issuer of the security, without loss of the contracted yield.

7. Trade receivables

a) Breakdown

	Parent Company		Consolidated	
	30/06/2020	**12/31/2019**	**30/06/2020**	**12/31/2019**
Card Operators	**360,685**	1,116,847	**360,685**	1,116,847
Commissions receivable - telephony suppliers	**6,738**	12,320	**6,738**	12,320
Commissions receivable - insurers	**6,623**	6,957	**6,623**	6,957
Credit rights	**-**	-	**58**	45
Bradescard partnership	**2,492**	13,617	**2,492**	13,617
Other	**15,446**	21,412	**15,445**	21,413
Allowance for expected credit losses	**(17,579)**	(19,715)	**(17,579)**	(19,715)
	374,405	1,151,438	**374,462**	1,151,484

(In thousand Reais, unless otherwise stated)

b) Ageing list of trade accounts receivable, net of allowance for expected losses

	Parent Company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Coming due:				
Up 30 days	**152,025**	503,281	**152,025**	503,281
31 – 60 days	**72,250**	258,854	**72,250**	258,854
61 – 90 days	**55,890**	188,271	**55,890**	188,271
91 – 120 days	**36,235**	70,611	**36,235**	70,611
121 – 150 days	**21,130**	47,825	**21,130**	47,825
151 to 180 days	**12,880**	24,216	**12,880**	24,216
Longer than 180 days	**19,521**	54,360	**19,521**	54,360
	369,931	1,147,418	**369,931**	1,147,418
Past due:				
Up 30 days	**661**	2,965	**661**	2,965
31 – 60 days	**1,356**	497	**1,356**	497
61 – 90 days	**428**	24	**428**	24
Over 90 days	**929**	326	**986**	372
	3,374	3,812	**3,431**	3,858
Trade receivable not recognized by customers (*)	**1,100**	208	**1,100**	208
Total	**374,405**	1,151,438	**374,462**	1,151,484

(*) Includes Banco Bradescard credit card sales unrecognized by the card owners (chargebacks), in the amount of R$ 3,442 in June 2020 (R$ 4,461 in December 2019), and thus considered in the allowance for expected credit losses. The Company also recognized provisions for expected credit losses for court-blocked amounts in C&A bank accounts, in the amount of R$ 10,917 in June 2020 (R$ 10,917 in December 2019), the responsibility for unblocking procedures belongs to Banco Bradescard.

c) Changes in allowance for expected credit losses (Parent company and Subsidiary)

	06/30/2020	**06/30/2019**
Balance on December 31	**(19,715)**	(17,298)
Addition	**(3,834)**	(3,728)
Reversal	**5,970**	2,138
Balance on June 30	**(17,579)**	(18,888)

d) Present value adjustment

The Company discounts its receivables to present value using interest rates directly related to customer credit profiles. The monthly interest rates used to calculate the present value of outstanding receivables on June 30, 2020 and December 31, 2019 were 0.21% and 0.37% respectively. Realization of the present value adjustment is recognized as an offsetting item to sales revenue.

(In thousand Reais, unless otherwise stated)

8. Related parties

On June 30, 2020 and December 31, 2019, the outstanding balances of related party transactions were the following:

Asset	**Parent Company**		**Consolidated**	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Accounts receivables				
Instituto C&A de Desenvolvimento Social (*)	**13**	18	**13**	18
Porticus Latin America Consult (*)	**9**	29	**9**	29
Famamco Adm. de Bens Ltda (*)	**8**	142	**8**	142
COFRA Latin America (*)	**8**	6	**8**	6
Orion Sec. Cred. Financeiros (*)	**15**	6	**-**	-
Cyamprev Soc. Previd. Privada	**-**	161	**-**	161
	53	362	**38**	356
Dividends receivable				
Orion Sec. Cred. Financeiros	**-**	749	**-**	-
	-	749	**-**	-
Total related party assets	**53**	1.111	**38**	356

(*) COFRA Group entities have an agreement whereby general and administrative expenses are shared.

Liabilities	**Parent Company**		**Consolidated**	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Accounts payable				
C&A AG	**27,160**	27,160	**27,160**	27,160
C&A Sourcing	**9,070**	39,967	**9,070**	39,967
Cyamprev Soc. Previd. Privada	**964**	2,376	**964**	2,376
COFRA Latin America	**15**	16	**15**	16
Porticus Latin America Consulting	**1**	-	**1**	-
	37,210	69,519	**37,210**	69,519
Interest on equity and dividends				
COFRA Latin America Ltda	**4**	8	**4**	8
Incas SARL	**21,748**	47,613	**21,748**	47,613
COFRA Investments	**21,748**	47,614	**21,748**	47,614
	43,500	95,235	**43,500**	95,235
Total related party liabilities	**80,710**	164,754	**80,710**	164,754

The relationship between the Company and related parties is the following:

Associate, with no significant influence	**Direct parent company**
C&A Mexico	COFRA Investments
C&A Mode AG	Incas SARL
C&A Sourcing	**Indirect parent company**
COFRA Latin America	C&A AG
COFRA Treasury	**Subsidiary**
Famamco Adm. de Bens	Orion Sec. Cred. Financeiros
Instituto C&A de Desenvolvimento Social	**Subsidiary under direct influence**
Porticus Latin America Consult	Cyamprev Soc. Previd. Privada
RSC Commercial Services	

(In thousand Reais, unless otherwise stated)

Transactions with related parties

	Parent Company		Consolidated	
	06/30/2020	**06/30/2019**	**06/30/2020**	**06/30/2019**
Reimbursements for shared expenses				
COFRA Latin America	**44**	-	**44**	-
Orion Sec. Cred. Financeiros	**43**	-	**-**	-
Famamco Administração de Bens	**46**	56	**46**	56
Porticus	**52**	62	**52**	62
Instituto C&A de Desenvolvimento Social	**68**	68	**68**	68
	253	186	**210**	186
Revenue from services rendered				
C&A Mexico	**2,845**	3,061	**2,845**	3,061
	2,845	3,061	**2,845**	3,061
Goods purchased				
C&A Sourcing	**(157,950)**	(174,913)	**(157,950)**	(174,913)
	(157,950)	(174,913)	**(157,950)**	(174,913)
Royalties and services purchased				
RSC Commercial	**-**	(651)	**-**	(651)
COFRA Latin America	**(93)**	(91)	**(93)**	(91)
C&A AG	**-**	(13,033)	**-**	(13,033)
	(93)	(13,775)	**(93)**	(13,775)
Finance results				
C&A Mode AG	**-**	(30,292)	**-**	(30,292)
COFRA Treasury	-	(456)	-	(456)
	-	(30,748)	**-**	(30,748)
Pension fund contributions				
Cyamprev Soc. Prev. Privada	**(2,407)**	(4,398)	**(2,407)**	(4,398)
	(2,407)	(4,398)	**(2,407)**	(4,398)

Related party transactions entered into to support the Company's operations in the form of consulting services or importation of goods are carried out according to specific prices agreed by the parties.

The Company maintains accounts payable to C&A AG related to royalties for the use of the “C&A” trademark in 2019, to be settled in December 2020. Through December 2019, these amounts were calculated based on revenue from goods sold, and were owed only if the Company made a profit in the period. Since January 2020, the Company has been exempt of paying royalties for the use of the “C&A” brand. The liability with the associate is reported net of withheld income tax and CIDE.

(In thousand Reais, unless otherwise stated)

Changes in the balance of related party loans

	Parent Company and Consolidated	
	06/30/2020	06/30/2019
Balance on December 31	-	907,456
New loans	-	508,000
Exchange variation	-	(32,371)
Interest	-	30,748
Interest payment	-	(36,338)
Payment of principal	-	(590,588)
Balance on June 30	-	786,907

The interest payments on loans and financing obtained from related parties is presented as cash flow from financing activities in the cash flow statement.

Compensation of members of the Executive Board and Board of Directors.

Expenses paid and payable regarding compensation for key management in the periods ending June 30, 2020 and 2019 were as follows:

	Parent Company and Consolidated	
	06/30/2020	06/30/2019
Fixed Compensation	**5,860**	4,740
Variable compensation	**499**	1,953
Contributions to post-employment plans	**361**	459
Long term incentives	**2,900**	-
Total	**9,620**	7,152

At the Ordinary General Meeting of June 26, 2020, an amendment to the Company's Bylaws was approved to include the limit for overall annual compensation of the members of the Board of Directors and the Executive Board for the fiscal year 2020 in the amount of up to R$ 30,934.

9. Stock-based compensation plan

The first stock-based compensation program was approved at a meeting of the Board of Directors held on 21 October 2019, as per the terms of the Company's Purchase Option Plan. As a result of granting options to purchase stock, 1,148,148 options were given to senior managers in three different batches.

Ownership of the option to convert into stock will be transferred to the participants in identical batches of 33.33% on each anniversary of the plan over a period of three years from the granting date. The transfer is subject to the cumulative fulfillment of both the following conditions on each anniversary of the granting date: (i) The participant must have remained as an employee or officer of the Company for the grace period, and (ii) the average price of the stock on the B3, securities exchange in Brazil, for the 22 trading sessions prior to each granting date anniversary, must be equal to or higher to the price per share paid by investors in the Company's initial public offering, , corrected according to the IPCA/IBGE.

(In thousand Reais, unless otherwise stated)

The price of the global exercise payable by the executives for the vested options on each anniversary is R$ 1,00. Vested options are restricted for resale for three years after the date of transfer.

Changes in the balance

	Parent Company and Consolidated	
	Number of	**WAEP (*)**
Balance on December 31, 2018	**-**	-
Options granted during the period	1,148,148	1.00
Balance on December 31, 2019	**1,148,148**	**1.00**
Options granted during the period	**-**	**-**
Balance on June 30, 2020	**1,148,148**	**1.00**

(*) Weighted average of the exercise price

No options were exercised, expired or canceled during the period, as the plan was only recently created.

The weighted average contractual term for the stock options remaining on June 30, 2020 was 1.08 years. The weighted fair value of the options granted during the period was R$ 8,4256. The price for exercising the remaining options at the end of the period was R$ 1,00.

The following table is a list of the information using the templates applied to the three batches in the period ending 31 December 2019 and June 30, 2020:

	Parent Company and Consolidated		
	Batch 1	**Batch 2**	**Batch 3**
Weighted average of the fair value on the date measured (R$)	8.09	8.45	8.73
Dividend yield (%)	1.10%	1.10%	1.10%
Risk-free rate of return (%)	4.41%	4.78%	5.31%
Expected lifetime of the options	21/10/2020	21/10/2021	21/10/2022
Weighted average of the stock price (R$)	16.50	16.50	16.50
Model used	Monte Carlo	Monte Carlo	Monte Carlo

Volatility calculations took into account the historical volatility of comparable companies in comparable periods with the lifetime of the stock in each batch.

(In thousand Reais, unless otherwise stated)

During the first semester of 2020, the Company recognized expenses totaling R$ 2,900 for its stock-based compensation plan, offset by the capital reserve plan - shares granted. The following expenses will be recognized in the future periods:

Fiscal period	R$
Six months remaining in 2020	2,332
2021	2,414
2022	897

10. Inventories

a) Inventory breakdown

	Parent Company and Consolidated	
	06/30/2020	**12/31/2019**
Goods for resale	**743,607**	560,241
Goods sold and in transit for delivery to customers	**4,420**	1,244
Adjustment to present value	**(4,678)**	(8,846)
Provisions for losses	**(39,399)**	(32,202)
	703,950	520,437
Imports in transit	**106,333**	24,280
	810,283	544,717

b) Changes in provisions for losses

	06/30/2020	**06/30/2019**
Balance on December 31	**32,202**	40,716
Constitution	**11,317**	19,726
Effective losses	**(4,120)**	(9,951)
Balance on June 30	**39,399**	50,491

Changes in the quarter:

	06/30/2020	**06/30/2019**
Balance on 31 March	**37,616**	42,655
Constitution	**1,810**	10,696
Effective losses	**(27)**	(2,860)
Balance on June 30	**39,399**	50,491

The decline in the provision for inventory losses in the second quarter of 2020 is due to a reduced need for provision for theft. This type of loss is directly related to the movement in stores and as the movement in this period was lower, the lower the constitution of provision.

(In thousand Reais, unless otherwise stated)

11. Taxes recoverable

	Parent Company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
ICMS (State VAT)	**69,742**	25,436	**69,742**	25,436
PIS/COFINS (tax on revenue)	**15,826**	-	**15,826**	-
Previously unused PIS / COFINS credit	**1,255,146**	1,282,030	**1,255,146**	1,282,030
IRRF (withholding taxes)	**-**	-	**8**	8
IPI (excise tax)	**366**	328	**366**	328
Other	**11,930**	8,977	**11,930**	8,977
	1,353,010	1,316,771	**1,353,018**	1,316,779
Current assets	**323,355**	795,635	**323,363**	795,643
Noncurrent assets	**1,029,655**	521,136	**1,029,655**	521,136

Previously unused PIS / COFINS credit

The Company filed two lawsuits claiming right to the exclude ICMS from the PIS and COFINS tax base, and to offset of amounts unduly paid in the past. The first claim refers to the period between 2002 and 2014, and the second between 2015 and 2017.

In March 2017, the Federal Supreme Court ("STF") decided, in the leading case court records (RE 574706) addressing this same theme, that indeed, including ICMS in the basis for calculating PIS/COFINS was unconstitutional. The Federal Government filed a motion for clarification of the decision, requesting that the STF define and explain the impact (i.e. from when ICMS should be excluded), and define the method of calculation (how much ICMS to exclude - paid, net of credits from purchases or ICMS on sales), which is pending for judgement. Notwithstanding the Federal Government's motions, the Federal Regional Courts (TRF) - lower courts - must and have followed the STF ruling on all proceedings filed by other taxpayers that have been overturned as a result of the leading case judgment.

In February 2019, the writ of mandamus by which the Company sought recognition of its right not to include the ICMS in the PIS and COFINS calculation base, on trial at the Federal Regional Court of the 3rd Region and related to the period from January 2002 to December 2014, was judged favorable to the Company, with no possibility of appeal, in line with what was decided in the RE 574 706, judged by the Supreme Court repetitive appeal.

Thus, in 2019 the Company recognized PIS/COFINS credit in the amount of R$1,282,030, R$663,538 of which referred to the original amounts as other operating income, with R$618,492 being monetary correction and interest as financial revenue.

On March 17, 2020, the Company's petition to enable this credit resulting from the final unappealable decision was approved by the Brazilian Internal Revenue Service, ensuring the right to offset the credit as of that date.

(In thousand Reais, unless otherwise stated)

On June 30, 2020, the updated balance of previously unused credit amounted to R$ 1,255,146. The main changes are the result of using credits in the amount of R$ 38,336 to offset federal taxes, and an increase of R$ 11,452 due to recognition of interest as financial revenue.

The potential tax credit referring to the second claim, for the period between 2015 and 2017, will be recognized only after a final, non-appealable ruling has been issued for this specific claim as, for the time being, it is considered a contingent asset.

The expected realization of such credits has changed due to the Covid-19 pandemic. Management expects that updated tax credits in the amount of R$ 1,255,146 will be offset within 4 years, based on the tax debits generated from normal Company operations, as shown below.

Year	R$
2020	81,573
2021	375,000
2022	434,500
2023	364,073
Total	**1,255,146**

Changes in tax credits due to the exclusion of ICMS from the basis for calculating PIS and COFINS:

In the period:

Balance on 31 December 2019	Interest	Compensations	Balance on June 30 2020
1,282,030	11,452	(38,336)	1,255,146

In the :

Balance on 31 March 2020	Interest	Compensations	Balance on June 30 2020
1,288,719	4,763	(38,336)	1,255,146

(In thousand Reais, unless otherwise stated)

12. Other assets

	Parent Company and Consolidated	
	06/30/2020	**12/31/2019**
Prepaid expenses	**18,106**	17,085
I.P.T.U. property tax	**9,795**	35
Personal loans and advances to employees	**3,492**	3,450
Advances to suppliers	**1,041**	1,552
Actuarial assets	**2,809**	1,078
Other	**2,637**	387
	37,880	23,587
Current assets	**34,056**	21,609
Noncurrent assets	**3,824**	1,978

13. Income Tax and Social Contribution

a) Breakdown and changes in deferred taxes (parent company and consolidated)

In the period:

		Increase / (Reduction)		
	Balance on December 31 2019	**in earnings**	**in Shareholders equity**	**Balance on June 30 2020**
Tax losses carry forward	174,654	123,901	-	298,555
Temporary differences:				
Provisions for tax, civil and labor proceedings	31,838	(1,926)	-	29,912
Provisions for inventory and trade accounts receivable losses	22,109	(3,736)	-	18,373
Impairment of property, equipment and right of use	11,915	1,325	-	13,240
Provision for profit sharing	15,069	(9,357)	-	5,712
Leases tax difference CPC 06 (R2)/IFRS 16	28,459	10,293	-	38,752
Present value adjustment	-	2,996	-	2,996
Other	121,245	9,646	(3,616)	127,275
Deferred tax assets	**405,289**	**133,142**	**(3,616)**	**534,815**
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS (i)	(435,890)	9,141	-	(426,749)
Present value adjustments	(2,375)	2,375	-	-
Fair value adjustment	(12,655)	12,655	-	-
Deferred tax liabilities	**(450,920)**	**24,171**	**-**	**(426,749)**
Deferred tax asset (liability) balance	**(45,631)**	**157,313**	**(3,616)**	**108,066**

(In thousand Reais, unless otherwise stated)

	Balance on December 31 2018	Increase / (Reduction) in earnings	Increase / (Reduction) in Shareholders equity	Balance on June 30 2019
Tax losses and carry forward	189,302	(2,497)	-	186,805
Temporary differences:				
Provisions for tax, civil and labor proceedings	111,916	1,824	-	113,740
Provisions for inventory and trade account receivable losses and allowances	21,485	4,571	-	26,056
Impairment of property and equipment	15,745	(5,248)	-	10,497
Provision for profit sharing	18,107	(10,891)	-	7,216
Present value adjustment	5,214	(1,473)	-	3,741
Other	38,178	27,773	2,783	68,734
Deferred tax assets	**399,947**	**14,059**	**2,783**	**416,789**
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	-	(426,133)	-	(426,133)
Fair value adjustment	(29,304)	16,649	-	(12,655)
Deferred tax liabilities	**(29,304)**	**(409,484)**	**-**	**(438,788)**
Deferred tax asset (liability) balance	**370,643**	**(395,425)**	**2,783**	**(21,999)**

(i) The amount of R$ (426,133) refers to deferred taxes on winning the claim that recognized the Company's right recover excess taxes paid following the right to exclude ICMS from the PIS/COFINS tax base, commented in Note 11 above.

In the quarter:

	Balance on March 31 2020	Increase / (Reduction) in earnings	Increase / (Reduction) in Shareholders equity	Balance on June 30 2020
Tax losses carry forward	232,767	65,788	-	298,555
Temporary differences:				
Provisions for tax, civil and labor proceedings	29,865	47	-	29,912
Provisions for inventory and trade accounts receivable losses	18,450	(77)	-	18,373
Provision for impairment of property, equipment and right of use	11,047	2,193	-	13,240
Provision for profit sharing	12,364	(6,652)	-	5,712
Leases tax difference CPC 06 (R2)/IFRS 16	33,325	5,427	-	38,752
Present value adjustment	-	2,996	-	2,996
Other	107,492	886	9,241	117,619
Deferred tax assets	**445,310**	**70,608**	**9,241**	**525,159**
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	(438,164)	21,071	-	(417,093)
Present value adjustments	(4,992)	4,992	-	-
Deferred tax liabilities	**(443,156)**	**26,063**	**-**	**(417,093)**
	2,154	**96,671**	**9,241**	**108,066**

(In thousand Reais, unless otherwise stated)

		Increase / (Reduction)		
	Balance on December 31 2018	**In earnings**	**In Shareholders equity**	**Balance on June 30 2019**
Tax losses and carry forward	188,616	(1,811)	-	186,805
Temporary differences:				
Provisions for tax, civil and labor proceedings	114,054	(314)	-	113,740
Provisions for inventory and trade account receivable losses and allowances	23,143	2,913	-	26,056
Impairment of property and equipment	13,645	(3,148)	-	10,497
Provision for profit sharing	21,879	(14,663)	-	7,216
Present value adjustment	4,474	(733)	-	3,741
Other	55,861	10,742	2,131	68,734
Deferred tax assets	**421,672**	**(7,014)**	**2,131**	**416,789**
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	(423,291)	(2,842)	-	(426,133)
Fair value adjustment	(12,655)	-	-	(12,655)
Deferred tax liabilities	**(435,946)**	**(2,842)**	**-**	**(438,788)**
	(14,274)	**(9,856)**	**2,131**	**(21,999)**

The Company, supported by the opinion of its legal advisors, will tax the gains from the lawsuit from the exclusion of ICMS from the PIS and COFINS calculation base, at the time of offsetting the credits, which is expected to occur over the next 4 years.

b) Expected realization of deferred taxes in the balance on June 30, 2020.

Year	**R$**
2020	12,068
2021	(8,860)
2022	(32,849)
2023	10,869
2024	95,343
2025 to 2027	3,930
2028 to 2030	27,565
	108,066

(In thousand Reais, unless otherwise stated)

c) Reconciliation of effective rate

	Parent Company		Consolidated	
	06/30/2020	**06/30/2019**	**06/30/2020**	**06/30/2019**
Profit (loss) before income taxes	**(374,733)**	1,178,343	**(374,552)**	1,178,579
Income tax and social contribution expenses at statutory rates - 34%	**127,409**	(400,637)	**127,348**	(400,717)
Adjustments to reflect the effective rate				
Equity	**61**	58	**-**	-
Non-deductible donations	**(445)**	-	**(445)**	-
PAT (worker meal program) and the culture incentive law	**497**	103	**497**	103
Adjustments in transfer pricing and incentives for technology innovation (R&D)	**(1,569)**	(201)	**(1,569)**	(201)
Corporate gifts and non-deductible fines	**(263)**	-	**(263)**	-
Equity Instruments Granted	**385**	-	**385**	-
Share issuing expenses	**1,155**	-	**1,155**	-
Other permanent additions and exclusions	**57**	(461)	**(14)**	(560)
Taxes calculated on the portion exempt from the additional 10%	**-**	-	**12**	-
Income Tax and Social Contribution on Profits	**127,287**	(401,138)	**127,106**	(401,375)
Current	**(30,026)**	(5,713)	**(30,207)**	(5,950)
Deferred	**157,313**	(395,425)	**157,313**	(395,425)
	127,287	(401,138)	**127,106**	(401,375)
Effective rate	**34%**	34%	**34%**	34%

14. Investment

a) Investments in the Subsidiary

Orion	Shareholding	Current assets	Current liabilities	Net Collection	Gross Revenue	Profit	Book value of the investment	Share of profit of subsidiaries
06/30/2020	**99.8%**	**1,877**	**(859)**	**1,018**	**1,338**	**181**	**1,016**	**180**
12/31/2019	99.8%	2,050	(1,213)	837	2,719	681	836	680

b) Changes in investment

	06/30/2020	**06/30/2019**
Balance on December 31	**836**	905
Share of profit of subsidiaries	**180**	171
Balance on June 30	**1,016**	1,076

(In thousand Reais, unless otherwise stated)

15. Property and equipment

a) Property and equipment Breakdown (Parent Company and Consolidated)

Property and equipment	Cost	Accumulated Depreciation	Impairment	June 30, 2020
Machinery and equipment	**173,652**	**(125,308)**	**(1,361)**	**46,983**
Furniture and fixtures	**424,709**	**(243,435)**	**(4,237)**	**177,037**
IT Equipment	**207,041**	**(147,846)**	**-**	**59,195**
Vehicles	**535**	**(482)**	**-**	**53**
Leasehold improvements	**1,135,214**	**(773,876)**	**(27,824)**	**333,514**
Land	**126**	**-**	**-**	**126**
Construction in progress	**21,771**	**-**	**-**	**21,771**
Provisions for store restorations	**1,080**	**(725)**	**-**	**355**
Other	**1,569**	**-**	**-**	**1,569**
	1,965,697	**(1,291,672)**	**(33,422)**	**640,603**

Property and equipment	Cost	Accumulated Depreciation	Impairment	December 31, 2019
Machinery and equipment	173,331	(119,964)	(1,526)	51,841
Furniture and fixtures	408,265	(226,749)	(4,858)	176,658
Equip. IT Equipment	203,473	(137,850)	(218)	65,405
Vehicles	534	(468)	-	66
Leasehold improvements	1,127,356	(731,495)	(27,347)	368,514
Land	126	-	-	126
Construction in progress	51,506	-	-	51,506
Provisions for store restorations	1,170	(769)	-	401
Other	2,895	-	-	2,895
	1,968,656	(1,217,295)	(33,949)	717,412

The company has no property and equipment pledged as collateral.

(In thousand Reais, unless otherwise stated)

b) Changes in property and equipment (Parent Company and Consolidated)

	Average annual depreciation rate	Balance on 31 December 2019	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Right-of-use transfers	Reversals of provisions Impairment	Balance on June 30 2020
Machinery and equipment	8%	**51,841**	**31**	**(5,692)**	**(185)**	**823**	**-**	**-**	**165**	**46,983**
Furniture and fixtures	11.80%	**176,658**	**19,574**	**(21,375)**	**(866)**	**2,425**	**-**	**-**	**621**	**177,037**
IT Equipment	20%	**65,405**	**2,068**	**(11,034)**	**(43)**	**2,581**	**-**	**-**	**218**	**59,195**
Vehicles	20%	**66**	**-**	**(13)**	**-**	**-**	**-**	**-**	**-**	**53**
Leasehold improvements (i)	10.52%	**368,514**	**154**	**(50,698)**	**(3,454)**	**19,474**	**-**	**-**	**(476)**	**333,514**
Land	-	**126**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**126**
Construction in progress	-	**51,506**	**56,383**	**-**	**-**	**(23,977)**	**(62,141)**	**-**	**-**	**21,771**
Provisions for returning stores (ii)	12%	**401**	**-**	**(46)**	**-**	**-**	**-**	**-**	**-**	**355**
Financial leases	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other	-	**2,895**	**-**	**-**	**-**	**(1,326)**	**-**	**-**	**-**	**1,569**
Total		**717,412**	**78,210**	**(88,858)**	**(4,548)**	**-**	**(62,141)**	**-**	**528**	**640,603**

	Average annual depreciation rate	Balance on 31 December 2018	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Right-of-use transfers	Reversals of provisions Impairment	Balance on June 30, 2019
Machinery and equipment	8%	56,466	192	(5,820)	(481)	473	-	-	441	51,271
Furniture and fixtures	11.80%	126,951	40,997	(18,955)	(3,254)	11,043	-	-	4,245	161,027
IT Equipment	20%	42,441	20,269	(10,159)	(317)	3,611	-	-	214	56,059
Vehicles	20%	91	-	(13)	-	-	-	-	-	78
Leasehold improvements	10.52%	375,281	674	(47,955)	(7,981)	43,223	-	-	8,855	372,097
Land	-	126	-	-	-	-	-	-	-	126
Construction in progress	-	25,309	96,047	-	-	(58,350)	(41,390)	-	-	21,616
Provisions for returning stores	12%	3,140	90	(40)	(33)	-	-	(2,716)	-	441
Financial leases	-	4,210	-	-	-	-	-	(4,210)	-	-
Other	-	2,912	306	-	-	-	-	-	-	3,218
Total		636,927	158,575	(82,942)	(12,066)	-	(41,390)	(6,926)	13,755	665,933

(i) Leasehold improvements include miscellaneous assets such as civil works, lighting, firefighting, generators, etc. The depreciation rate is defined based on the lifetime of these assets or the lease term, whichever is shortest.

(ii) The Company has 14 lease agreements with fully variable payments. These are linked to provisions for dismantlin882nd returning stores.

(iii) During the second quarter of 2020 the Company purchased property and equipment in the amount of R$ 78,210, R$ 7,882 if which were recognized as supplier accounts payable (R$ 3,498 on June 30 2019); R$ 6,292 were disbursed in the second quarter of the year for purchases made in December 2019 (R$ 8,199 were disbursed in 1Q19 relative to December 2018).

c) Impairment

The Company considers each store individually to be a cash-generating unit (CGU). CGUs are valued annually to check if the value of their assets in the financial statements does not exceed their recoverable value.

The Company uses the following criteria to identify assets that could show signs of impairment:

- Operating profit before financial earnings - In selecting stores for testing, the Company considers those with operating profits lower than the target set by the Company.
- Stores that recorded impairment in the previous year.

Furthermore, stores must be more than three years old, which is what the Company considers to be a mature store.

The company used after-tax cash flow projections based on financial budgets approved by Management, and consistent with the results presented in the past. The following premises were used to develop the discounted cash flows:

(i) Revenue: projected until the end of the store's rental contract
(ii) Costs and expenses: projected in the same year as the revenue using a straight-line rate of 3%, which is the inflation estimated by the Brazilian Central Bank;
(iii) Discount rate: determined bearing in mind the risk-free rate, the business risk, third-party cost of capital and the Company's capital structure. The discount rate used was 9.00% annually.

Due to the impact of Covid-19 the Company performed review tests using the base date of June 30 2020, and concluded that it needed additional provisions for impairment in the amount of R$ 969, of which R$ 2,025 in property and equipment, and a reversal of R$ 1,056 in right-of-use assets. This reversal is the result of monthly amortizations. In the base date of March 31 2020 the Company had already recognized a provision of R$6,613 (R$1,135 for property and R$5,478 for lease right-of-use assets).

The Company also records provisions for impairment whenever Management approves store restoration and closing plans. The provision is made in the estimated amount of the assets to be written off, reversed when the actual write-off is taken. In the period ended June 30, 2020, a total of R$ 3,688 were reversed, and the corresponding assets written off.

(In thousand Reais, unless otherwise stated)

16. Intangibles

a) Breakdown of intangibles (Parent Company and Consolidated)

Intangibles	Cost	Accumulated amortization	Provisions Impairment	June 30 2020
Software	**510,485**	**(301,588)**	**(2)**	**208,895**
Goodwill	**56,340**	**(46,903)**	**(1,094)**	**8,343**
	566,825	**(348,491)**	**(1,096)**	**217,238**

Intangibles	Cost	Accumulated amortization	Provisions	December 31 2019
Software	448,379	(270,408)	(3)	177,968
Goodwill	56,339	(45,873)	(1,094)	9,372
	504,718	(316,281)	(1,097)	187,340

b) Changes in intangibles (Parent Company and Consolidated)

	Average amortization rate (% annual)	Balance on 31 December 2019	Additions	Amortization	Disposals (Write-offs)	Property and equipment transfers	Reversals of provisions Impairment	Balance on June 30 2020
Software	**13%**	**177,968**	**-**	**(31,215)**	**-**	**62,141**	**1**	**208,895**
Goodwill	**10%**	**9,372**	**-**	**(1,029)**	**-**	**-**	**-**	**8,343**
Total		**187,340**	**-**	**(32,244)**	**-**	**62,141**	**1**	**217,238**

	Average amortization rate (% annual)	Balance on 31 December 2018	Additions	Amortization	Disposals (Write-offs)	Property and equipment transfers	Reversals of provisions Impairment	Balance on June 30 2019
Software	13%	185,909	-	(29,540)	(173)	41,390	1	197,587
Goodwill	10%	10,989	-	(1,138)	(1,659)	-	1,681	9,873
Total		196,898	-	(30,678)	(1,832)	41,390	1,682	207,460

c) Impairment

Intangible assets, software and goodwill were also tested for impairment. The approach is the same used for property and equipment (Note 15.c).

(In thousand Reais, unless otherwise stated)

17. Leases

Based on a Review of Technical Pronouncement 16/2020, which clarify Technical Pronouncement CPC 06 (R2) regarding the Covid-19 benefits ranted to Lessees in Lease Agreements, the Company evaluated the lease negotiations and concluded that the lease negotiations resulting from COVID-19 do not constitute a contractual amendment, therefore, without the impact of remeasurement of the leases. The amount of discount recognized in this period totaled R$ 54,630 (net of PIS/COFINS), entered in the line occupancy expenses. The amount of postponement of payments, without incurring a supplementary burden to the Company, was R$17,738, maintained under the liabilities of leases until settlement.

Until 3rd quarter of 2019 the Company considered future minimal lease payments gross of PIS and COFINS potential credits, discounted at a nominal interest rate. Following the guidelines in Official Memo CVM/SNC/SEP 01/2020, the Company reviewed its premises for calculating right-of-use assets and lease liabilities, and now considers the cash flows of future payments without deducting potential PIS and Cofins credits, discounting them using a nominal incremental interest rate. This methodology is in line with CPC06 (R2) /IFRS16. The impact of this change, on September 30, 2019, was prospectively considered by remeasuring the changes in lease balances.

The Company estimated the incremental borrowing rate, based on the Brazil risk-free interest rates for similar periods to its lease agreements, adjusted to the Company's credit situation (credit spread). Spreads were obtained from the spreads observed for debt securities issued by comparable Brazilian companies (debentures).

Incremental rates based on lease terms

Contractual term	Real Rate (% p.y.)	Nominal Rate (% p.y.)
0 to 3 years	3.0	6.6
3 to 5 years	3.5	7.6
5 to 6 years	3.9	8.0
6 to 10 or more years	4.6	8.8

(In thousand Reais, unless otherwise stated)

a) Changes in the balance of lease right-of-use assets and liabilities are shown below (Parent Company and Consolidated):

	Right-of-use asset			Lease liability
	Real estate	Server	Total	
Balance on 31 December 2019	**1,501,141**	**6,674**	**1,507,815**	**(1,587,680)**
Amortization (i)	**(149,570)**	**(691)**	**(150,261)**	**-**
Financial charges	**-**	**-**	**-**	**(70,825)**
Payments made (principal)	**-**	**-**	**-**	**168,447**
Payments made (interest)	**-**	**-**	**-**	**4,591**
Provisions for dismantling costs	**270**	**-**	**270**	**-**
Impairment (note 15.c)	**(4,422)**	**-**	**(4,422)**	**-**
Re-measurements (ii)	**219,787**	**-**	**219,787**	**(219,787)**
Balance on June 30 2020	**1,567,206**	**5,983**	**1,573,189**	**(1,705,254)**
Current	**-**	**-**	**-**	**(392,618)**
Noncurrent	**-**	**-**	**-**	**(1,312,636)**

(i) Amortization on this schedule is not deducted from tax credits of PIS/COFINS on lease payments, which were recorded as reduction of amortization expenses on statements of operation in the mount of R$ 17.096, and on interest in the amount of R$ 3,424, which were recorded directly in income as a reduction of amortization and interest expense

(ii) This refers to the annual remeasurement inflation adjustments on minimal lease payments as per the respective agreements, and lease renewals;

2019	Right-of-use asset			Lease liability
	Real estate	Server	Total	
Opening balance on 1 January 2019	1,729,502	8,192	1,737,694	(1,737,694)
Prepayments and incentives received	1,984	-	1,984	-
Provisions for dismantling costs	2,716	-	2,716	-
Adjusted opening balance on 1 January 2019	1,734,202	8,192	1,742,394	(1,737,694)
Amortization	(146,112)	(864)	(146,976)	-
Financial charges	-	-	-	(37,251)
Payments made (principal)	-	-	-	144,765
Payments made (interest)	-	-	-	12,099
Provisions for dismounting osts	90	-	90	-
Additions (3 new stores)	12,346	-	12,346	(12,346)
Re-measurements (i)	32,216	-	32,216	(32,216)
Balance on June 30 2019	1,632,742	7,328	1,640,070	(1,662,643)
Current	-	-	-	(319,121)
Noncurrent	-	-	-	(1,343,522)

(i) This refers to the annual remeasurement inflation adjustments on minimal lease payments as per the respective agreements;

b) Comparison of lease projections between the different scenarios

In compliance with CVM guidelines and in order to provide the market with a comprehensive view of the impact of applying different interest rates, below is a comparative list of the right-of-use lease liabilities, financial expenses and amortization expenses for the current and coming years for the following scenarios:

(In thousand Reais, unless otherwise stated)

Scenario	Nominal Rate	Future payment flows
1	Nominal	Including proj. inflation
2	Nominal	Not including proj. Inflation

The Company is adopting scenario 2 for the period ending on June 30, 2020, as per CPC06(R2) / IFRS16. Below are the estimated values for the years ended in December:

	Rate (% p.y.)	2020	2021	2022	2023	2024
Lease Liabilities						
Scenario 1	6.6% - 8.8%	1,789,719	1,524,787	1,244,480	973,210	708,757
Scenario 2	**6.6% - 8.8%**	**1,561,345**	**1,293,937**	**1,025,815**	**780,370**	**424,369**
Financial Charges						
Scenario 1	6.6% - 8.8%	151,999	143,553	120,700	97,284	74,217
Scenario 2	**6.6% - 8.8%**	**140,703**	**123,600**	**101,070**	**79,217**	**58,803**
Depreciation Expenses						
Scenario 1	6.6% - 8.8%	323,005	329,169	303,477	265,028	231,365
Scenario 2	**6.6% - 8.8%**	**302,567**	**294,818**	**270,294**	**233,299**	**202,057**
Total Expenses						
Scenario 1	6.6% - 8.8%	475,004	472,722	424,177	362,312	305,582
Scenario 2	**6.6% - 8.8%**	**443,270**	**418,418**	**371,364**	**312,516**	**260,860**

c) Minimum future payments and potential PIS and COFINS rights (Parent Company and Consolidated)

Minimum future lease payments, according to the terms of the lease agreements, plus the fair value of the minimum lease payments are as follows:

	Consolidated			
	06/30/2020		**12/31/2019**	
Coming due	**Payments**	**Potential PIS and COFINS Rights**	**Payments**	**Potential PIS and COFINS Rights**
Less than one year	**409,873**	**(35,247)**	373,987	(33,406)
One to five years	**1,303,237**	**(116,807)**	1,183,473	(104,912)
Over five years	**509,247**	**(46,085)**	529,082	(46,614)
Total minimum payments	**2,222,357**	**(198,139)**	2,086,542	(184,932)
Minimum payments discounted to present value	**(517,103)**	**54,476**	(498,862)	47,659
Present value of the minimum payments	**1,705,254**	**(143,663)**	1,587,680	(137,273)
Current	**392,618**		357,891	
Non-current	**1,312,636**		1,229,789	

(In thousand Reais, unless otherwise stated)

Potential PIS/COFINS rights refer to the amount the Company will have a right to recover if the expected future lease payments come due.

During the period ended June 30, 2020, the expense associated with the 14 variable lease agreements was R$ 794 (13 agreements or R$ 1,525 in 2Q19). Management believes it is not appropriate to project minimum payments due to the very nature of such expenses. Expenses associated with short-term leases and low-value assets totaled R$ 7,566 (R$ 10,618 in 2Q19) and refer to leasing printers and forklifts. Because of limited relevance, future commitments with minimum lease payments of low-value assets and short-term contracts are not presented, nor is any sensitivity analysis of variable expenses with leases and the factors that impact this variation.

The Company does not pledge real estate as collateral in any of its transactions.

18. Suppliers

	Parent Company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Goods Suppliers	**221,519**	629,717	**221,519**	629,717
Miscellaneous Suppliers	**150,399**	174,272	**150,631**	174,296
Suppliers - agreements	**43,795**		**43,795**	
	415,713	803,989	**415,945**	804,013

The Company offers advances on receivables at a discount over the face value to its suppliers. This can be arranged directly with the Company by signing a term of adherence, with no involvement of any intermediary financial institution, or via agreements with financial institutions.

In 2020, the monthly rate for suppliers signing directly with the Company varied between 1.45% and 1.95% (unchanged from 2019).

As of April 2020, in order to preserve its cash, the Company entered into agreements with financial institutions, which consist in the anticipation of receipt of the securities by the supplier. As agreed, financial institutions anticipate a certain amount for the supplier and receive, on the due date, the amount due by the Company. The decision to join this operation is solely and exclusively of the supplier. The agreement does not change the characteristics of the commercial conditions, terms and prices previously established between the Company and its supplier, and, for this reason, the balances payable were kept under the item “suppliers”. With this operation, the Company received a commission in the amount of R$ 1,731.

During the first half of 2020 were anticipated directly with the Company, R$ 247,071 by suppliers that generated revenues of R$ 9,812 (in the first half of 2019 were anticipated R$ 367,877 and revenue was R$ 10,600), recorded as financial income, net of funding cost. As of June 30, 2020, the balance of advance payments by C&A directly to suppliers was R$ 53 (R$ 202,413 in the semester ended June 30, 2019)

(In thousand Reais, unless otherwise stated)

The Company discounts the balance of its trade payables to present value using interest rates close to those practiced in the industry. The monthly interest rates used to calculate the present value of outstanding payables on June 30, 2020 and December 31, 2019 were 0.21% and 0.37% respectively. The matching entry to the present value adjustment is made on inventories and the interest is recognized on a pro rata die basis in financial expenses.

19. Loans

a) Breakdown of the loans

			Parent Company and Consolidated	
Descriptions	**Rate (% p.y.)**	**Maturity**	**30/06/2020**	**31/12/2019**
Promissory notes (i)	100% CDI+ 1.09%	2020 - 2023	504,747	-
CCB (ii)	100% CDI + 3.45%	2020 - 2021	354,974	-
CCB (iii)	100% CDI + 2.95%	2023	230,000	-
CCB (iv)	100% CDI + 2.90%	2022 - 2024	120,000	-
(-) Transaction costs to appropriate			(4,557)	
Total			**1,205,164**	**-**
Current			375,890	-
Non-current			829,274	-
Total			**1,205,164**	**-**

i. On April 3, 2020, the Company issued its first Promissory Notes in the amount of R$500,000 with a ticket equivalent to 100% of the accumulated variation in the daily DI rate plus a 1.09% annual surcharge payable in 3 years. This is a 6-series for public distribution with limited effort (CVM476). The first batch will come due on October 3, 2020, and the remainder every six months thereafter, and interest payable at the end of the transaction.

ii. On April 9, 2020 the Company issued two CCBs that sum R$ 350,000, with equivalent to 100% of the accumulated variation in the daily DI rates, plus a surcharge of 3.45% a year for payment in 1 year. Interest shall be paid on a half-yearly basis and capital will be amortized on the date of payment. The first batch comes due on October 9, 2020. Funds were captured to be used to reinforce working capital.

iii. On June 30 2020 the Company issued two CCBs, as follows:

The first in the amount of R$230,000 paying the equivalent to 100% of the accumulated variation in the average daily DI rate, plus an annual surcharge of 2.95% and half-yearly interest payments in 6 installments. The principal will be amortized on the maturity date in 2023.

(In thousand Reais, unless otherwise stated)

And the second, in the amount of R$ 120,000 paying the equivalent to 100% of the accumulated variation in the average daily DI rate, plus an annual surcharge of 2.90% and half-yearly interest payments in 6 installments of R$ 20,000, the first due in January 2022 and the last in June 2024

Loans above were obtained without the guarantee by the Company.

b) Payment forecast

The following is a forecast of the payments of long-term loans:

Maturity	Parent Company and Consolidated 06/30/2020
2021	18,724
2022	84,515
2023	686,035
2024	40,000
	829,274

c) Restrictive covenants

Based on the clauses of current agreements, the Company must fulfill the following financial covenants whose measurement is annual, on December 31, as shown below:

• Maintenance of the ratio between Net Debt and Adjusted EBITDA, at a level equal to or less than 3.0 times, which will be calculated annually on the consolidated financial statements. For this calculation, the Adjusted EBITDA for the last 12 (twelve) months is considered.
According to the contract, Net Debt is the sum of loans, financing and debentures of current and non-current liabilities plus the item of operations with derivatives of current and non-current liabilities, excluding the items: cash, banks, financial investments, bonds and securities and transactions with derivatives of current and non-current assets.

The Company constantly monitors its indicators, such as financial leverage. The covenants are the normal ones for transactions of this nature and to date, have in no way limited the Company's ability to conduct its business.

(In thousand Reais, unless otherwise stated)

20 Taxes payable

	Parent Company		Consolidated	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
ICMS	**9,547**	102,479	**9,547**	102,479
PIS/COFINS	**23,168**	67,023	**23,180**	67,038
CIDE	**3,195**	3,195	**3,195**	3,195
WHT	**3,038**	7,839	**3,038**	7,839
Other	**1,713**	4,132	**1,714**	4,132
	40,661	184,668	**40,674**	184,683
Current	**17,493**	183,595	**17,506**	183,610
Noncurrent	**23,168**	1,073	**23,168**	1,073

21. Provisions for tax, civil and labor proceedings, and judicial deposits

21.1. Provisions for tax, civil and labor liabilities (Parent Company and Consolidated)

The Company is a party in administrative and judicial claims of a tax, civil and labor nature. Pursuant to advice received from its expert advisors, Management believes it must create provisions to cover likely and reasonably estimable losses where disbursement of financial resources by the Company is likely.

Provisions have been made for legal claims where it is considered likely the Company will be the losing Party, in an amount sufficient to cover expected losses. The balance of provisions is as follows:

	12/31/2019	**Addition (reversal)**	**Utilization**	**Update**	**06/30/2020**
Tax	**179,919**	1,388	-	1,451	**182,758**
Labor	**89,505**	(4,488)	(5,957)	5,776	**84,836**
Civil	**4,138**	713	(2,126)	415	**3,140**
Provisions for tax, civil and labor proceedings	**273,562**	(2,387)	(8,083)	7,642	**270,734**
Judicial deposits with a corresponding liability	**(39,720)**	-	-	(432)	**(40,152)**
Net provisions for judicial deposits	**233,842**	(2,387)	(8,083)	7,210	**230,582**

	12/31/2019	**Addition (reversal)**	**Utilization**	**Update**	**06/30/2020**
Tax	237,215	(4,601)	-	6,387	239,001
Labor	85,476	(676)	(2,077)	7,177	89,901
Civil	6,474	(913)	(314)	381	5,627
Provisions for tax, civil and labor proceedings	329,165	(6,190)	(2,391)	13,945	334,529
Judicial deposits with a corresponding liability	(66,558)	(60)	-	(1,285)	(67,903)
Net provisions for judicial deposits	262,607	(6,250)	(2,391)	12,660	266,626

Tax provisions refer substantially to discussions regarding the following taxes:

PIS/COFINS (taxes on revenue)

On June 30, 2020, the Company had provisions for PIS and COFINS risks in the amount of R$ 133,464 (R$ 132,443 on December 31 2019). The most significant values are associated with credits used with inputs for its end-activity, in the amount of R$ 87,743 (R$ 86,623 on December 31 2019), and Cofins Import credits, in the amount of R$ 38,558 (R$ 38,026 on December 31 2019). For the latter case, on June 30, 2020 the Company had an updated deposit balance in the amount of R$ 36,563 (R$36,167 on December 31, 2019).

ICMS (State Value Added Tax)

On June 30, 2020, the Company had provisions for ICMS risks in the amount of R$ 38,773 (R$ 36,735 on 31 December 2019). The most significant values are associated with themes related to credit taken on trade payables to suppliers considered unqualified by the tax authorities, in the amount of R$ 10,343 (R$ 10,283 on 31 December 2019), and discussions regarding ICMS rates on energy in the amount of R$ 15,244 (R$ 13,471 on 31 December 2019).

Other taxes

On 31 March, the Company had provisions for tax risk related to other taxes in the amount of R$ 10,521 (R$ 10,741 on 31 December 2019). The most significant amounts were related to ISS (tax on services) in the amount of R$ 5,732 (R$ 6,002 on 31 December 2019), and IPTU (property taxes) in the amount of R$ 3,175 (R$3,135 on 31 December 2019).

Civil and labor

This provision was created to cover civil and labor claims (claims for moral damages, overtime, night shift premium and severance pay, among others) currently underway. Based on information received from legal advisors and in-house attorneys, Management believes the recorded amount is sufficient to cover losses arising from any outcome unfavorable to the Company.

Judicial deposits with corresponding liabilities

1% additional COFINS for imports

On 7 March 2013, the Company filed a lawsuit claiming the right to credit for the COFINS surtax levied on the import of some of its goods, and obtained a preliminary injunction allowing it to take credit for such COFINS import surtax.

(In thousand Reais, unless otherwise stated)

21.2 Judicial deposits

The Company is contesting the payment of certain taxes, contributions and labor obligations, and has made judicial deposits to ensure that court discussions proceed, either because said deposits are required by the courts, or because of a strategic decision by Management to protect its cash position.

The balance of judicial deposits recorded in assets by nature of the discussion is as follows:

	Parent Company and Consolidated	
	06/30/2020	**12/31/2019**
Tax	**64,192**	63,748
Civil and labor	**38,524**	38,088
Total	**102,716**	101,836

There is no provision for the judicial deposits mentioned above, based on the judgment of Management supported by its legal advisors.

21.3 Non-provisioned contingencies

On June 30, 2019 the Company had an updated amount of R$ 298,640 (R$ 306,439 on 31 December 2019) associated with judicial and/or administrative claims where it is considered possible that the Company may suffer losses, and for this reason these matters are disclosed but no provisions are recorded, as per CPC 27/IAS 27.

Below is a summary of the main proceedings, with the amount of the principal plus interest and fines, for which legal advisors believe it is possible that the Company will have to disburse funds.

(a) PIS and COFINS - At the rate of zero on the sale of electronic goods - Law No. 11196/05 (“Lei do Bem” - tax relief law) - refers to a claim filed with the courts that discusses the reinstatement of the benefit provided for by Law No. 11196/05, suspending the enforcement of PIS and COFINS levied on the sale of electronic products, which had been revoked by Provisional Measure # 690/2015, subsequently signed into Law # 13241/15.On June 30, 2020 the updated amount was R$ 170,918 (R$171,141 on December, 31 2019).

(b) Social Security Contribution on Health and Hospital care: a notice of assessment was issued against the Company demanding the payment of social security contributions supposedly levied on the amounts paid as Health and Hospital care to its insured employees for the period between December 12 1997 and February 28 2005. In February 2020 part of this amount was reversed, based on the decision issued by the appeals power. Thus, on June 30, 2020 the updated balance of the proceeding totals R$ 8,047 (R$ 30,000 on December 31, 2019).

(c) PIS/COFINS - Non-cumulative taxation refers to notices of tax violations disallowing PIS and COFINS credits on expenses classified as inputs by the Company in 2012 and 2014, The updated value of the tax violations classified as possible is approximately R$30,244 (R$30,042 on December 31, 2019).

(d) Import Taxes on Royalties refers to notices of tax assessments demanding the payment of Import Taxes as well as PIS/PASEP and COFINS on imports, due to failure to include royalties paid for the use of licensed brands in the basis for calculating taxes levied on imported goods. The updated amount associated with these assessments is R$ 17,137 (R$ 17,000 on December 31, 2019).

(e) ICMS – Unqualified trade payables refers to notices of tax assessments demanding payment of ICMS supposedly owed due to credit taken for ICMS stated separately in invoices issued by Company suppliers considered unqualified. In this regard. On June 30, 2020 the updated remaining balance is R$ 2,693 (R$ 3,000 on December 31, 2019).

Regarding civil and labor claims, because of the diverse nature and features of these claims, Management believes that the amounts provisioned are those that best represent the Company's risks regarding such matters The Company does not believe it is feasible to determine the amount of non-provisioned labor and civil contingencies (involving possible but not probable loss) because, as a rule, the amount of the original claim is quite a bit different from the final amounts paid or settled.

Due to external factors not under the Company's control, it is not feasible to determine when the associated cash disbursements, if any, will be made in the event the Company loses any such claims.

22. Contingent assets

The Company is a party in lawsuits claiming its right to tax credits, which require a final non-appealable court ruling before they can be recognized in the financial and fiscal books as assets. Below is a summary of the main contingent asset claims.

Non-enforceability of PIS/COFINS on operations performed in the Manaus Free Trade Zone (FTZ)

The Company is a party in a claim underway aimed at recognizing that all sales of goods to the FTZ (including those originating within the FTZ) be comparable, for all fiscal purposes, to exports and thus, that the non-existence of a legal-tax relationship between the Federal Government and the Company regarding PIS and COFINS levied on the revenue of transactions of this nature be recognized.

(In thousand Reais, unless otherwise stated)

A favorable lower court decision has already been issued by the 1st Region TRF (Federal Regional Court). Right now, the case is waiting for the addition of attachments (embargoes) by the Federal Government as part of the docket.

As the Company's lawsuit is still pending a final and non-appealable ruling, it is not possible to recognize the assets associated with the credits to be determined for 5 year-period prior to the lawsuit filing (March 31, 2016). Considering a preliminary estimate based on information available on June 30, 2020, the Company estimates the potential amount of credits of R$ 123,833 (R$123,220 on December 31, 2019).

Regarding the amounts for the periods following May 2018, the period in which the likelihood of loss is assessed by legal advisors as remote due to a favorable ruling on the lawsuit, the Company has been recognizing the effects on statement of operations, having determined an accumulated amount of R$ 27,585 (R$ 24,215 on December 31, 2019).

23. Shareholders' equity

23.1 Share capital

On August 28, 2019, the General Meeting approved i) the transformation of the parent company's corporate type to a corporation; and ii) the conversion of all social quotas into common shares (1 quota = 1 share). In October 2019, the grouping of shares was approved at a 4 to 1 ratio. This month, 49,315,068 common shares were also issued in the amount of R$ 16.50 each.

On June 30, 2020, ownership of company shares broke down as follows:

	12/31/2019 and 06/30/2020	
	Number of shares:	%
COFRA Investments	**100,939,166**	**32.75%**
Incas SARL	**100,939,166**	**32.75%**
COFRA Latin America	**17,122**	**0.01%**
Free Float	**106,349,614**	**34.50%**
Total	**308,245,068**	**100%**

According to the Company's bylaws, the Company is authorized to increase capital on 135,000,000 new common shares by decision of the Board of Directors, which is responsible for setting the issuing terms, include price and form of payment. If payment takes the form of assets, the General Assembly shall be responsible for increasing the capital stock, with input from the Fiscal Board, if any.

23.2 Capital reserves - shares issued

This refers to the reserve for options granted according to the stock-based compensation plan. See Note 9 for further details.

23.3 Legal reserve

The Company Bylaws stipulate that 5% of net profit will be taken as legal reserves, to the limit of 20% of the capital stock.

23.4 Special reserve for dividends

This refers to withholding minimum required dividends for 2019, to be paid as dividends as soon as the Company's economic situation allows if not absorbed by losses in subsequent periods, as resolved at the General Meeting of June 26, 2020.

23.5 Reserve for investments

The purpose of this reserve is to reinforce the Company's working capital and activities, observed that its balance, plus the balance of other profit reserves less contingency reserves, reserves for tax incentives and reserves for future profits must not exceed 100% (one hundred percent) of the share capital. Once this limit is reached, the General Meeting shall determine on the exceeding amount to the shareholder capital, as per article 199 of the Brazilian Corporate Law, it may be used increase the share capital or to be distributed as dividends.

The Shareholder's Meeting held on June 26, 2020 decided to set aside R$ 748,300 of 2019 profits for investment reserves, as per the capital budget.

23.6 Adjustments to equity valuation

This is the effective portion of financial instruments designated as cash flow hedge, as per Note 27.

24. Dividends and interest on shareholders' equity

As determined in the Company's Bylaws, at each year the Company shareholders have the right to receive minimum dividends of 25% to the Company's results of the year, which should first be deducted by the legal reserves and complemented by any reversal of previous reserves. However, because of the Company's current situation arising from Covid-19, extraordinary measures have been taken to contain the social and economic effects of the pandemic, setting aside part of required dividends as a special dividend reserve.The remaining dividends will be paid until December 31, 2020.

(In thousand Reais, unless otherwise stated)

The basis for calculating minimum required dividends for the year ended December 31, 2019, and the withholding of part of the minimum required dividends as a special reserve for dividends is shown below:

	2019
Net profit for the year	971,993
Legal Reserves - 5% of net profit for the year	(48,600)
Net profit for the year after constituting legal reserves	923,393
Minimum statutory required dividends - 25%	**230,848**
(-) Constitution of a special reserve for dividends	(162,002)
Dividends/Interest on equity payable	**68,846**

Interest on equity payable is composed as follows:

Interest on shareholders equity (a)	78,133
(-) Withholding taxes of Interest on shareholders' equity	(9,287)
Interest on equity payable	**68,846**

(a) A meeting of the Board of Directors held on 23 December 2019 approved the payment of interest on shareholders equity (IoE) in the amount of R$ 78,133, equivalent to R$ 0.253477379 per share. Withholding taxes will be retained by Company on to this amount, except in cases of individuals who are exempt, resulting in a net amount of R$68,846. It was approved by the shareholders at the Annual General Meeting of 26.6.2020 the partial retention of the mandatory minimum dividends of R $ 75,988.

25. Net revenue

	Parent Company		**Consolidated**	
	06/30/2020	**06/30/2019**	**06/30/2020**	**06/30/2019**
Sale of Goods	**1,615,647**	2,996,251	**1,615,647**	2,996,251
Cancellations and exchange of goods	**(94,861)**	(171,476)	**(94,861)**	(171,476)
Expiration of exchange-vouchers and gift cards (i)	**2,105**	(1,377)	**2,105**	(1,377)
Sales taxes	**(342,322)**	(649,240)	**(342,322)**	(649,240)
Net revenue from goods	**1,180,569**	2,174,158	**1,180,569**	2,174,158
Commission revenue from the sale of financial services - Bradescard partnership	**70,466**	105,328	**70,466**	105,328
Commission revenue from the sale of partner insurance	**22,468**	24,699	**22,468**	24,699
Commission revenue from other services	**8,242**	9,824	**8,242**	9,824
Net revenue from credit securitization	**-**	-	**1,338**	979
Taxes on commissions and services	**(11,674)**	(14,098)	**(11,741)**	(14,145)
Other net revenue	**89,502**	125,753	**90,773**	126,685
	1,270,071	2,299,911	**1,271,342**	2,300,843

(i) This refers to revenue for realization/deferment of revenue associated with issuing exchange vouchers and gift cards that have not yet been used, and the expense with issuing vouchers.

(In thousand Reais, unless otherwise stated)

26. Earnings by nature

26.1. Classified by function

	Parent Company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Cost of goods sold and services rendered	**(651,756)**	(1,179,267)	**(651,756)**	(1,179,267)
General and administrative expenses	**(218,543)**	(238,323)	**(219,455)**	(238,787)
Selling expenses	**(690,155)**	(843,599)	**(690,155)**	(843,599)
Other operating income (expenses)	**(4,380)**	643,850	**(4,380)**	643,785
	(1,564,834)	(1,617,339)	**(1,565,746)**	(1,617,868)

26.2. Cost of sales by nature

	Parent Company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Cost of Goods Sold	**(640,379)**	(1,162,670)	**(640,378)**	(1,162,670)
Cost of services rendered	**(549)**	(659)	**(549)**	(659)
Other	**(10,828)**	(15,938)	**(10,829)**	(15,938)
	(651,756)	(1.179,267)	**(651,756)**	(1,179,267)

26.3. General and administrative expenses by nature

	Parent Company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Occupancy	**(2,402)**	(3,636)	**(2,402)**	(3,636)
Personnel	**(121,925)**	(131,323)	**(121,925)**	(131,323)
Third party materials/services	**(48,235)**	(49,974)	**(49,146)**	(50,439)
Depreciation and amortization	**(40,752)**	(37,833)	**(40,752)**	(37,833)
Depreciation of right-of-use	**(9,662)**	(10,945)	**(9,662)**	(10,945)
Other (a)	**4,433**	(4,612)	**4,432**	(4,611)
	(218,543)	(238,323)	**(219,455)**	(238,787)

(a) Contains reversal of R $ 5,235 of labor contingencies, registered in the first quarter of 2020.

26.4 Selling expenses by nature

	Parent Company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Occupancy	**(62,528)**	(138,725)	**(62,528)**	(138,725)
Personnel	**(229,674)**	(280,634)	**(229,674)**	(280,634)
Third party material/services	**(89,412)**	(94,155)	**(89,412)**	(94,155)
Depreciation and amortization	**(80,348)**	(75,788)	**(80,348)**	(75,788)
Depreciation of right-of-use	**(126,909)**	(136,031)	**(126,909)**	(136,031)
Advertising and promotion	**(54,076)**	(39,820)	**(54,076)**	(39,820)
Other	**(47,208)**	(78,446)	**(47,208)**	(78,446)
	(690,155)	(843,599)	**(690,155)**	(843,599)

(In thousand Reais, unless otherwise stated)

26.5 Other net operating income (expenses) by nature

	Parent Company		Consolidated	
	06/30/2020	**06/30/2019**	**06/30/2020**	**06/30/2019**
Results from asset write-offs	**(777)**	(13,760)	**(777)**	(13,760)
Impairment	**(7,581)**	15,437	**(7,581)**	15,437
Recovery of tax credits (a)	**11,677**	639,204	**11,677**	639,204
Other	**(7,699)**	2,969	**(7,699)**	2,904
	(4,380)	643,850	**(4,380)**	643,785

(a) In 2020, R$ 3,688 were recorded as reversal of impairment
(b) In 2019, previously unused PIS and COFINS credit in the amount of R$ 658,703 (principal), less attorney, consulting, and auditing costs in the amount of R$ 21,204. In 2020 this refers to the recovery of social security credits net of attorney fees.

27 Financial results

	Parent Company		Consolidated	
	06/30/2020	**06/30/2019**	**06/30/2020**	**06/30/2019**
Gain (loss) from derivatives	**-**	(26,054)	**-**	(26,054)
Exchange variation				
Exchange variation – Goods	**(12,710)**	(1,476)	**(12,710)**	(1,476)
Exchange variation – Related party loans	**-**	32,371	**-**	32,371
	(12,710)	30,895	**(12,710)**	30,895
Financial expenses				
Interest on related party loans	**-**	(30,748)	**-**	(30,748)
Interest on loans	**(9,720)**	-	**(9,720)**	-
Bank expenses and IOF	**(898)**	(2,836)	**(900)**	(2,838)
Interest on taxes and contingencies	**(12,440)**	(14,851)	**(12,440)**	(14,851)
Interest on leases (a)	**(67,458)**	(37,251)	**(67,458)**	(37,251)
Financial expenses of suppliers- present value adjustment	**(9,749)**	(9,740)	**(9,749)**	(9,738)
Other	**(447)**	(65)	**(447)**	(65)
	(100,712)	(95,491)	**(100,714)**	(95,491)
Financial income				
Interest (b)	**22,958**	573,545	**22,961**	573,549
Financial income of supplier	**9,460**	13,021	**9,460**	13,021
Other	**854**	(316)	**855**	(316)
	33,272	586,250	**33,276**	586,254
Net financial results	**(80,150)**	495,600	**(80,148)**	495,604

(a) As of December 2019, expenses with interest on leases, net of PIS and COFINS credits on lease payments, is disclosed in Note 17.2
(b) In June 2019 this included R$ 594,629 in interest revenue and revenue from the monetary correction of previously unused tax credits, described in Note 11, less PIS/COFINS taxes in the amount of R$ 27,650.

(In thousand Reais, unless otherwise stated)

28 Financial instruments and capital management

28.1. Financial risk management

The activities of the Company and its subsidiary expose them to a number of financial risks, such as market risk (including exchange and interest rate risks), credit risk and liquidity risk.

a) Market Risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to market prices. Market prices include three types of risk: interest rate risk, exchange risk and price risk, which can be commodities, shares or others.

Interest rate risk

The Company is exposed to the risk of changes in interest rate that could impact short term returns on its short-term assets and financial liabilities indexed to the CDI. Scenarios were estimated to demonstrate the effects of variations in this index on results, as per CVM Instruction 475/08.

		Parent Company and Consolidated						
					Increasing Interest		Decreasing Interest	
	Risk	Balance on 06/30/2020	Rate	Likely Scenario	Possible Scenario + 25%	Remote Scenario + 50%	Possible Scenario - 25%	Remote Scenario - 50%
Financial Investments (ii)	Lower CDI	1,238,773	CDI (i)	24,939	31,174	37,409	18,704	12,470
Loans	Higher CDI	(1,205,164)	CDI (i)	(24,947)	(31,184)	(37,420)	(18,710)	(12,473)
Net exposure/Impact on earnings prior to IT/CS		**33,609**		**(8)**	**(10)**	**(11)**	**(6)**	**(3)**
Impact on earnings prior to IT/CS				**(5)**	**(7)**	**(7)**	**(4)**	**(2)**

(i) Interest in the likely scenario taken from the Focus scenario of 30 June 2020 (2.07% annualized daily CDI).
(ii) Financial revenue stated net of 4.65% PIS/COFINS;
(iii) Financial investments consider an average yield of 102% of the CDI.

(In thousand Reais, unless otherwise stated)

Foreign currency risk

Foreign currency exchange risk exists in future commercial transactions, primarily those associated with US-Dollar denominated imports. The foreign currency risk management policy is defined by Management and approved by the Auditing and Risk Management Committee.

The exchange risk on foreign currency loans existing up to March 2019 was mitigated through swap contracts, whereby the foreign exchange variation was “swapped” for the rate set by the bank. Foreign currency loans were settled in full in March 2019, New loans have been taken out in local currency at fixed rates, thus not subject to market risk. These loans were also settled in full in November 2019.

The Company hedges against exchange variations in the outstanding balance of its imports by entering into Non-Deliverable Forward Contracts (NDFs) for highly probable forecasted purchases. The contracts based on the FOB value of the goods limits the exchange exposure and its effect on price composition. As soon as goods are nationalized, taxes must be paid that are not included in the hedge defined when contracting the NDF. The table below shows exposure to exchange variation related to orders issued and not covered by the hedge, and non-recoverable customs clearance taxes for which the Company is not hedged.

The 36% non-recoverable taxes on NDFs was determined according to the prevailing import tax percentages (35% on average) and the non-recoverable percentage of COFINS on imports (1%). The US Dollar exchange rate used in the sensitivity analysis was taken from the Bacen FOCUS report of June 26, 2020. Scenario estimates were used according to CVM Instruction 475/08,

				Negative Scenarios	
		Notional US$ (Payable)/Receivable	**Likely Scenario USD 1 = R$ 5.20**	**Possible Scenario +25% USD 1 = R$ 6.50**	**Remove Scenario +50% USD 1 = R$ 7.80**
Hedge object	Purchasing orders for imported goods and imports in transit	(25,242)	6,967	(25,848)	(58,663)
Hedge Instruments	NDF	9,653	(2,664)	9,885	22,435
	Net exposure of import orders	**(15,589)**	**4,303**	**(15,963)**	**(36,228)**
	Non-recoverable taxes **(36%)**	(9,087)	2,508	(9,305)	(21,119)
	Total net exposure	**(24,676)**	**6,811**	**(25,268)**	**(57,347)**
	Impact on earnings, net of IT/CS		**4,495**	**(16,677)**	**(37,849)**

USD on 06/30/2020 = R$ 5.476

Financial instruments designated for hedge accounting

To handle its market risks, the Company manages its foreign currency exposure related to the purchase of goods by contracting derivative financial instruments pegged to the US dollar, considering the expected entry of the goods in the Company's inventory in the Company's official budget.

As of October 2016, the Company formally adopted cash flow hedge accounting for derivative instruments to cover its highly likely future imports, in order to hedge against oscillations in the cost of goods entered in inventories during periods of unfavorable exchange rates.

The hedging structure consists of hedging a highly likely transaction whereby imported goods to be sold by the Company will enter the inventory in USD, against the risk of variations in the US$ vs. R$ exchange rate, using derivative financial instruments such as NDFs as hedging instruments, in amounts, maturities and currencies equivalent to import budget in US$.

Transactions for which the Company uses hedge accounting are highly likely and are exposed to variations in cash flow that could impact profit and loss and are highly effective in achieving exchange rate fluctuations or cash flow attributable to the hedged risk.

The following is a list of the hedge accounting instruments and expected periods for the import cash flow:

	US$ thousand			**US$ thousand**
Expected date	***Budget (hedged)***	**Maturity**	**Counterparty**	**NDF reference value**
Jul'20	(2,275)	Jul'20	Santander	2,275
Aug'20	(1,861)	Aug'20	Santander	1,861
Sep'20	(845)	Sep'20	Citibank	845
Oct'20	(1,008)	Oct'20	Santander	1,008
Nov'20	(1,575)	Nov'20	Santander	1,575
Dec'20	(2,089)	Dec'20	Santander	2,089
Total	(9,653)			9,653

Financial instruments are measured at fair value in Level 2, which uses valuation techniques for which the lowest significant level of information for fair value measurement is directly or indirectly observable.

(In thousand Reais, unless otherwise stated)

The following table shows the outstanding positions by maturity date on June 30, 2020 of the forward contracts (Non-Deliverable Forwards - NDF) used to hedge exchange rate risk:

Derivative	Position	Contract	Contract date	Maturity date	Reference (notional) value - US$	Fair value
Term	Long	NDF	03/06/2020	07/15/2020	**2,275**	**(1,827)**
Term	Long	NDF	03/06/2020	08/19/2020	**1,861**	**(1,417)**
Term	Long	NDF	03/06/2020	09/16/2020	**845**	**(636)**
Term	Long	NDF	03/06/2020	10/21/2020	**1,008**	**(755)**
Term	Long	NDF	03/06/2020	11/18/2020	**1,575**	**(1,172)**
Term	Long	NDF	03/06/2020	12/16/2020	**2,089**	**(1,542)**
					9,653	**(7,349)**

Derivative financial instruments are entered at fair value. Thus, at the inception of the hedge transaction the book value and fair value are the same.

On June 30, 2020, non-settled NDF operations presented a gain, net of tax effects, of R$7,019 (net loss of R$ 5,403 in June 2019), recorded under other comprehensive income. In the second quarter of 2020, the cost of goods sold was positively impacted by the gain in NDF transactions in the amount of R$ 11,012 (gain of R$ 5,845 in June 2019).

During the period, NDF hedge transactions used to hedge the cash flow risk of import orders were effective, based on the rules set forth by CPC 48/IFRS 9. Should the transaction become ineffective, the ineffective portion is recognized directly in the earnings of the period in which this takes place.

There were no ineffective portions in the quarters ending June 30, 2020 and 2019.

b) Credit risk

i) Cash and cash equivalents

In accordance with the Company's policy, cash and cash equivalents must be invested in financial institutions rated as having low credit risk.

ii) Receivables

The Company's credit risk is minimized to the extent that assets represented by receivables from the sale of goods and services are intermediated by Bradescard and credit card companies. In the case of credit card companies, the risk is fully transferred to them, and the Company remains only with the risk of non-recognition of purchase by customers for which an allowance for impairment is measured and recognized. For transactions intermediated by Banco Bradescard, there is a potential loss, contractually limited to 50% of the net doubtful receivables registered with that institution, in addition to customer chargebacks. Historically, credit losses are smaller than the gains resulting from the agreement with Banco Bradescard.

(In thousand Reais, unless otherwise stated)

c) Liquidity risk

Based on the operation's cash cycle, Management approved a minimum cash polity to:
i) Protect itself in times of uncertainty;
ii) Ensure execution of its investment and expansion strategy;
iii) Ensure that a dividend distribution policy is maintained.

Management constantly monitors the expectation on the Company's liquidity and that of its subsidiary to ensure they have sufficient cash to meet their operational needs, investment plans and financial obligations.

The Company invests excess cash in financial assets with floating interest rates and daily liquidity (CDBs and LCAs of financial institutions that comply with the investment policy approved by Management).

The following table summarizes the maturity profile of the Company's financial liabilities:

June 30, 2020	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Other related party liabilities	37,210	-	-	37,210
Lease liabilities	392,618	865,763	446,873	1,705,254
Loans	375,890	829,274	-	1,205,164
Trade payables	415,945	-	-	415,945
Total	**1,221,663**	1,695,037	446,873	**3,363,573**

(In thousand Reais, unless otherwise stated)

28.2. Capital management

The goal of the Company's capital management is to ensure that a financing structure is maintained for its operation.

The Company manages its capital structure by making suitable adjustments to changes in economic conditions. To keep this structure adjusted, the Company may make dividend payments and take out loans. There were no changes in the capital structure objectives, policies or processes in the period ending June 30, 2020.

	Parent Company		Consolidated	
Net Debt without	**06/30/2020**	**12/31/2019**	**06/30/2020**	**12/31/2019**
Lease Liabilities	**1,205,164**	-	**1,205,164**	-
Cash and cash equivalents	**(1,257,852)**	(445,635)	**(1,259,009)**	(447,109)
Net debt	**(52,688)**	(445,635)	**(53,845)**	(447,109)
Non-controlling interests	**-**	-	**2**	2
Total shareholder's equity	**2,578,029**	2,739,568	**2,578,031**	2,739,570
Financial leverage index	**(2%)**	(16%)	**(2%)**	(16%)

As of January 1, 2019, the Company has recorded in its statement of earnings right-of-use lease liabilities. On June 30, 2020, the balance of lease liabilities amounted to R$ 1,705,254. If lease liabilities are included in the capital management calculations, leverage would be 63%.

Net Debt with	Parent Company		Consolidated	
Lease Liabilities	**06/30/2020**	**12/31/2019**	**06/30/2020**	**02/31/2019**
Net Debt	**(52,688)**	(445,635)	**(53,845)**	(447,109)
Lease Liabilities	**1,705,254**	1,587,680	**1,705,254**	1,587,680
Adjusted Net Debt	**1,652,566**	1,142,045	**1,651,409**	1,140,571
Total Shareholder's Equity	**2,578,029**	2,739,568	**2,578,031**	2,739,570
Financial Leverage Index	**64%**	42%	**64%**	42%

(In thousand Reais, unless otherwise stated)

28.3. Financial instruments - classification

On June 30, 2020 and 31 December 2019, the financial instruments can be summarized and classified as follows:

Parent Company

On June 30, 2020	Amortized Cost	Fair value through other comprehensive results	Total
Financial assets			
Cash and cash equivalents	1,257,852	-	1,257,852
Derivatives	-	7,349	7,349
Trade receivables	374,405	-	374,405
Related parties	53	-	53
Judicial deposits	102,716	-	102,716
Financial liabilities			
Lease liabilities	(1,705,254)	-	(1,705,254)
Loans	(1,205,164)	-	(1,205,164)
Trade payables	(415,713)	-	(415,713)
Related parties	(37,210)	-	(37,210)
Total on June 30, 2020	(1,628,315)	7,349	(1,620,966)

On December 31 2019	Amortized Cost	Fair Value	Total
Financial assets			
Cash and cash equivalents	445,635	-	445,635
Derivatives	-	651	651
Trade receivables	1,151,438	-	1,151,438
Related parties	1,111	-	1,111
Judicial deposits	101,836	-	101,836
Financial liabilities			
Lease liabilities	(1,587,680)	-	(1,587,680)
Derivatives	-	(3,938)	(3,938)
Trade payables	(803,989)	-	(803,989)
Related parties	(69,519)	-	(69,519)
Total on December 31 2019	(761,168)	(3,287)	(764,455)

(In thousand Reais, unless otherwise stated)

Consolidated

On June 30, 2020	Amortized Cost	Fair value through other comprehensive results	Total
Financial assets	**1,259,009**	**-**	**1,259,009**
Cash and cash equivalents	**-**	**7,349**	**7,349**
Derivatives	**374,462**	**-**	**374,462**
Trade receivables	**38**	**-**	**38**
Related parties	**102,716**	**-**	**102,716**
Judicial deposits			
Financial liabilities			
Lease liabilities	**(1,705,254)**	**-**	**(1,705,254)**
Loans	**(1,205,164)**	**-**	**(1,205,164)**
Trade payables	**(415,945)**	**-**	**(415,945)**
Related parties	**(37,210)**	**-**	**(37,210)**
Total on June 30, 2020	**(1,627,348)**	**7,349**	**(1,619,999)**

On 31 December 2019	Amortized Cost	Fair value through other comprehensive results	Total
Financial assets			
Cash and cash equivalents	**447,109**	**-**	**447,109**
Derivatives	**-**	**651**	**651**
Trade receivables	**1,151,484**	**-**	**1,151,484**
Related parties	**356**	**-**	**356**
Judicial deposits	**101,836**	**-**	**101,836**
Financial liabilities			
Lease liabilities	**(1,587,680)**	**-**	**(1,587,680)**
Derivatives	**-**	**(3,938)**	**(3,938)**
Trade payables	**(804,013)**	**-**	**(804,013)**
Related parties	**(69,519)**	**-**	**(69,519)**
Total on 31 December 2019	**(760,427)**	**(3,287)**	**(763,714)**

28.4 Changes in liabilities associated with financing activities

	31 December 2019	Cash flows	Interest Incurred	Other (i)	June 30 2020
Leases	1,587,680	(173,038)	70,825	219,787	1,705,254
Loans	-	1,195,006	9,720	438	1,205,164
Dividends and Interest on Shareholders' Equity	144,834	-	-	(75,988)	68,846
Total	**1,732,514**	**1,021,968**	**80,545**	**144,237**	**2,979,264**

(i) The amount presented in "Others" refers to the initial recognition of CPC 06 (R2)/IFRS16 – Leases and the re-measurement of lease liabilities due to annual inflation adjustment of minimal lease payments based on the lease agreements, the amount of R $ 438 refers to the amortization of the transaction cost of the loan and the amount of R $ (75,988) refers to the partial retention of the minimum mandatory dividends already mentioned in Note 23.4

(In thousand Reais, unless otherwise stated)

	31 December 2018	Cash flows	Exchange variation	Interest Incurred	New leases	Other (ii)	June 30 2019
Leases	1,848	(156,864)	-	37,251	12,346	1,768,062	1,662,643
Related parties	907,456	(118,926)	(32,371)	30,748	-	-	786,907
Dividends and Interest on shareholder's equity	58,582	(58,582)	-	-	-	-	-
Derivatives	403	7,625	-	-	-	(5,496)	2,532
Total	**968,289**	**(326,747)**	**(32,371)**	**67,999**	**12,346**	**1,762,566**	**2,452,082**

(ii) The amount presented in “Others” corresponds to the initial recognition of leases and remeasurement of lease liabilities (Note 17).

29 Insurance

The Company has a policy of keeping insurance coverage in the amount that Management considers appropriate to cover possible risks to its property and equipment (basic coverage: fire, lightning, explosion and other property and equipment policy coverage), inventories, civil liability and transportation of goods. Below is the maximum indemnity limit for each coverage:

	Consolidated	
	06/30/2020	**12/31/2019**
Civil Liability and D&O	**331,117**	331,117
Property and Inventory	**439,957**	438,077
Shipping	**65,657**	115,808
	836,731	885,002

30 Retirement plan

Together with other related companies, the Company participates as a sponsor of Cyamprev - Sociedade de Previdência Privada, to provide private pension plans to supplement the general social security system. The benefit plans are structured in the form of Defined Contribution (DC), and the amount of monthly income is linked to the financial amount of the accumulated contributions on behalf of each participant. After payments start the monthly income is updated on an annual basis based on the participant's updated balance. Pension plan contributions are made by active participants and/or the sponsor. The plans guarantee a minimum benefit equivalent to three monthly salaries of each participant, calculated in proportion to their length of service and paid out in a single installment at the end of their employment link and eligibility for retirement. Contributions to the plans for this minimum benefit are made exclusively by the Company.

In the first semester of 2020, the Company contributed R$ 2,407 (R$ 4,398 in the same period of 2019) to the plans, entered as an expense in the earnings for the period. The total number of participating employees on June 30, 2020 was 15,060 (15,751 on 31 December 2019), with 160 participants under care (157 on 31 December 2019).

(In thousand Reais, unless otherwise stated)

In accordance with CPC 33/IAS39, approved by CFC Resolution 1,193/09, the Company recognizes an actuarial asset when: (a) the Company controls a resource, which is the ability to use the surplus to generate future benefits, (b) that control is a result of past events (contributions paid by the Company and service rendered by the employee), and (c) future economic benefits are available to the Company in the form of a reduction in future contributions.

On June 30, 2020, the fair value of the plan assets related to the minimum benefit described above, exceeded the actuarial present value of the accumulated benefit obligations by approximately R$ 2,809 (R$ 1,078 on December 31, 2019).

31 Earnings per share

As mentioned in Note 22, at a General Meeting held on 2 October 2019, the Company's shareholders approved the grouping of 1,035,720,002 common shares in a 4 to 1 ration, and the fractions were canceled, resulting in a total of 258,930,000 common shares. 49,315,068 common shares were issued in the amount of R $ 16.50 each (sixteen reais).

As required by CPC 41 / IAS 33 - Earnings per share, the calculation of basic and diluted earnings per share were retrospectively adjusted for the first semester of 2019 to reflect the new number of shares resulting from the grouping mentioned above.

The following chart shows the determination of net profit available to the holders of common shares, and the weighted average of outstanding common shares used to calculate basic and diluted earnings (loss) per share in each period, already considering retrospective adjustment for share grouping:

Basic earnings per share	**06/30/2020**	**06/30/2019**
Net income (loss) for the period	(247,446)	777,204
Weighted average of the number of outstanding common shares	308,245,068	258,930,000
Basic earnings (loss) per share - in R$	(0.8028)	3.0016

Basic diluted earnings per share	**06/30/2020**	**06/30/2019**
Net income (loss) for the period	(247,446)	777,204
Weighted average of the number of outstanding common shares	308,245,068	258,930,000
Weighted average of the options granted as part of the stock-based compensation plan	227,340	-
Weighted average of the diluted number of common shares	308,472,408	258,930,000
Diluted basic earnings (loss) per share - in R$	(0.8022)	3.0016

On June 30, 2020, the only financial instrument providing dilution is the stock-based compensation plan, described in detail in Note 9. There were no financial instruments providing dilution in previous periods.